

**FRONT STREET**  
Mutual Funds Limited

**FRONT STREET MUTUAL FUNDS LIMITED**

**FRONT STREET GLOBAL OPPORTUNITIES CLASS**

**Management Report of Fund Performance**

**and**

**Interim Financial Statements**

**April 30, 2014**



## **Interim Management Report of Fund Performance As at April 30, 2014 Front Street Global Opportunities Class**

*This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete interim financial statements for Front Street Global Opportunities Class (the "Fund"), a class of shares of Front Street Mutual Funds Limited. The interim financials of the Fund are attached behind this report and you can also get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our website at [www.frontstreetcapital.com](http://www.frontstreetcapital.com) or SEDAR at [www.sedar.com](http://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 Interim Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

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

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

## Management Discussion of Fund Performance

### INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's investment objective is to provide shareholders with long term capital growth through the selection, management and strategic sector rotation and trading of global positions in equity, debt and derivative securities. The Fund may have exposure to all sectors of the economy, with the ability to focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund will be global in nature and invest in small, medium and large cap companies.

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

The Fund's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income.

The Fund will examine macro economic events that result in shifts in behaviour and supply and demand in the market in both traditional and new industries. In traditional industries such as oil and gas and mining, the Fund will focus on investing in companies with emerging technologies and new discoveries that improve and enhance operations and productivity but may consider other investment factors such as cash flow and liquidity requirements, hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

From time to time the Fund may invest in other mutual funds and may purchase securities of, or enter into specified derivative transactions for which the underlying interest is based on the securities of other mutual funds. Such investments may be entered into in conjunction with other strategies and investments in a manner considered most appropriate to achieving the Fund's investment objectives stated above and enhancing returns as permitted by securities regulations. The Fund may invest in securities of other mutual funds, including funds managed by the Manager or an associate or affiliate. No percentage of net assets is dedicated to such investments. Accordingly, all the assets of Fund may be invested in other mutual funds in accordance with securities legislation including NI 81-102.

### RISK

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to "Stock Market Risk". Since the Fund is a global fund, it will invest in foreign securities which may expose the Fund to "Risks of Investing in Foreign Securities" and "Foreign Currency Risk". The Fund may invest in relatively illiquid securities that may expose the Fund to "Liquidity Risk. The Fund may also be exposed to "Sector Risk" due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the "Risks Associated with Short Sales" and "Risks of Investing in Derivatives". The Fund will also be subject to "Series Risk", "Securities Lending, Repurchase and Reverse Repurchase Risk" and "Tax Risk".

Currency Risk proved to have an effect as the Canadian dollar fell 5% relative to the U.S. dollar this period. This would have had a positive benefit as a many of the companies in the fund would have Canadian dollar expenses, but US dollar revenues.

Stock market risk had a positive effect with many North American stock exchanges at, or nearing, their all-time highs. Despite the strong performance volatility still remains though, with the Dow Jones Industrial Index for example, falling over 7% from its peak in January, before regaining that all back, and more, in February and March. There was political risk during the period. Russia's annexation of Crimea hurt markets as investors worried that this could lead to further military escalation. Ongoing tensions in North Africa and the Middle East continue to provide support to oil prices.

Interest rate risk remains a factor. Market observers are closely monitoring the U.S. Federal Reserve's strategy to remove quantitative easing from their economy, and the effect it will have on interest rates and inflation. Expectations remain that interest rates globally will remain low, enabling companies to borrow at favourable rates.

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

The risks of investing in the Fund are further discussed in the Fund's Simplified Prospectus.

## **RESULTS OF OPERATIONS**

For the six months ended April 30, 2014, the Fund returned 9.94% (net of expenses) while the benchmark the S&P 500 Index returned 7.25%.

The Fund took a balanced approach to financials sector, with Canadian names providing income, and U.S. names providing growth. The focus would be on growth, and as such, the fund saw very few opportunities in the gold or the metals sectors. China continues to be a concern for the metals sector, as their economy is slowing and shifting towards more consumerism.

The sector performance within the S&P 500 was tricky and seemed to be all over the place. Utilities performed well for a period, while another rate-sensitive sector, the telecommunications services, did not perform so well. Healthcare was doing well, and then struggled at the end of March.

During the six month period ended April 30, 2014, the Fund earned investment income of \$354,318 from interest, dividends and security lending revenue. There were net realized gains on the sale of investments of \$5.8 million and an unrealized appreciation on the value of investments of \$2.1 million.

Operating expenses, excluding management fees, performance fees, and servicing fees, totalled \$215,298 during the six month period ended April 30, 2014.

## RECENT DEVELOPMENTS

At the end of last year it was felt that there was a good chance the S&P/TSX could outperform the U.S. indices in the first half of 2014, and that the Canadian energy stocks were trading at a discount to their U.S. counterparts, and in many cases had better growth opportunities. It was also felt that the weakening Canadian dollar would provide better earnings for those industries which have Canadian dollar costs but that generate U.S. dollar revenues.

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

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

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

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

- a) IAS 32, Financial Instruments: Disclosure and Presentation, require shareholders’ equity to be classified as liability unless certain criteria are met. The Fund’s shareholders’ equity meets the definition of a puttable instrument. The Manager has assessed the Fund’s shareholder structure and has determined the liability treatment is the most appropriate classification.
- b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- c) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund’s financial statements.

The anticipated impact of IFRS on accounting policies and implementation decisions will predominantly be on the financial statement presentation and note disclosures in the Fund’s financial statements. The adoption of IFRS is not expected to have a significant impact on the calculation of NAV per share. In particular, the Fund will be required to present a statement of cash flows, and will be required to include certain additional and enhanced disclosures.

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

**RELATED PARTY TRANSACTIONS**

During the six month periods ended each of April 30, 2014 and 2013, fees paid to (waived or absorbed by) the Manager were as follows:

	2014	2013
Performance fees	<u>\$ 1,086,533</u>	<u>\$ -</u>
Management fees	<u>\$ 577,845</u>	<u>\$ 136,008</u>
Servicing fees	<u>\$ 280,034</u>	<u>\$ 61,172</u>
Operating costs	<u>\$ 15,383</u>	<u>\$ -</u>
Expenses waived or absorbed by Manager	<u>\$ -</u>	<u>\$ (196,990)</u>

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

	April 30, 2014	October 31, 2013
Management fees payable	\$ 94,286	\$ 69,104
Servicing fees payable	53,214	33,939
Operating costs payable	<u>2,458</u>	<u>2,984</u>
	<u>\$ 149,958</u>	<u>\$ 106,027</u>

As at April 30, 2014, performance fees payable to the manager amounted to \$Nil (October 31, 2013 - \$361,140).

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

	April 30, 2014	October 31, 2013
Series A shares held by the Manager	Nil	5,000
Percentage of Series A shares held by the Manager	Nil%	0.30%
Series B shares held by the Manager	Nil	5,000
Percentage of Series B shares held by the Manager	Nil%	0.42%
Series B shares held by the relatives of the Partners of the Manager	2,732	Nil
Percentage of Series B shares held by the relatives of the Partners of the Manager	0.15%	Nil%
Series F shares held by the Manager	Nil	5,000
Percentage of Series F shares held by the Manager	Nil%	0.99%
Series F shares held by the Partners of the Manager	149,405	Nil
Percentage of Series F shares held by the Partners of the Manager	19.46%	Nil%
Series F shares held by relatives of the Partners of the Manager	771	108,359
Percentage of Series F shares held by relatives of the Partners of the Manager	0.10%	21.39%

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those nonaffiliated, qualified brokerage firms, on an execution only basis. During the six month period ended April 30, 2014, Tuscarora Capital Inc., a company under common control to the Manager, received \$157,676 (April 30, 2013 - \$51, 808) in commissions on portfolio transactions for the Fund.

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

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception. This information is derived from the Fund's audited annual and interim financial statements for the six months ended April 30, 2014.

### Series A

#### The Fund's Net Assets per Share <sup>(1)</sup>

	April 30 2014 \$	October 31 2013 \$	October 31 2012 \$	For the period from commencement of operation on July 8, 2011 to October 31 2011 \$
<b>Net Assets, beginning of the period</b>	13.97	10.73	9.77	10.00*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.08	0.14	0.03	—
Total expenses	(0.49)	(0.42)	(0.10)	(0.02)
Realized gains (losses) for the period	1.22	1.05	0.06	0.26
Unrealized gains (losses) for the period	0.49	2.71	1.01	(0.24)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	1.30	3.48	1.00	—
<b>Distributions to Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	—	—	—	—
<b>Net Assets, end of the period</b>	15.40	13.97	10.73	9.77

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

#### Ratios and Supplemental Data

Total net asset value (\$000's) <sup>(1)</sup>	35,263	23,757	2,900	178
Number of shares outstanding <sup>(1)</sup>	2,285,555	1,692,921	269,334	17,976
Management expense ratio <sup>(2)</sup>	6.49%	3.38%	1.04%	0.98%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	6.49%	5.61%	7.85%	57.95%
Trading expense ratio <sup>(3)</sup>	0.92%	0.90%	0.80%	1.32%
Portfolio turnover rate <sup>(4)</sup>	158.32%	275.51%	312.67%	48.98%
Net asset value per share (\$)	15.43	14.03	10.77	9.88

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial price



**Series B**
**The Fund's Net Assets per Share <sup>(1)</sup>**

 For the period from commencement  
 of operation on July 8, 2011 to  
 October 31  
 2011  
 \$

	April 30 2014 \$	October 31 2013 \$	October 31 2012 \$	
<b>Net Assets, beginning of the period</b>	13.99	10.75	9.78	10.00*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.08	0.14	0.03	—
Total expenses	(0.49)	(0.46)	(0.09)	(0.01)
Realized gains (losses) for the period	1.23	1.10	0.08	0.24
Unrealized gains (losses) for the period	0.42	2.74	1.08	(0.25)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	1.24	3.52	1.10	(0.02)
<b>Distributions to Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	—	—	—	—
<b>Net Assets, end of the period</b>	15.42	13.99	10.75	9.78

(1) This information is derived from the Fund's audited annual and unaudited interim financial statements. The net assets per share presented in the financial statements differ from the net asset value calculated for fund pricing purposes. [An explanation of these differences can be found in the notes to the financial statements].

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

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

**Ratios and Supplemental Data**

Total net asset value (\$000's) <sup>(1)</sup>	27,884	16,858	1,019	95
Number of shares outstanding <sup>(1)</sup>	1,805,661	1,199,773	94,545	9,649
Management expense ratio <sup>(2)</sup>	6.49%	3.67%	0.94%	0.73%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	6.49%	5.89%	7.75%	53.72%
Trading expense ratio <sup>(3)</sup>	0.92%	0.90%	0.80%	1.32%
Portfolio turnover rate <sup>(4)</sup>	158.32%	275.51%	312.67%	48.98%
Net asset value per share (\$)	15.44	14.05	10.78	9.89

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

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.

(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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial price

**Series F**
**The Fund's Net Assets per Share<sup>(1)</sup>**

	April 30 2014 \$	October 31 2013 \$	October 31 2012 \$	For the period from commencement of operation on July 8, 2011 to October 31 2011 \$
<b>Net Assets, beginning of the period</b>	14.28	10.87	9.80	10.00*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.08	0.15	0.03	—
Total expenses	(0.45)	(0.40)	—	—
Realized gains (losses) for the period	1.26	1.19	0.08	0.18
Unrealized gains (losses) for the period	0.39	2.81	1.16	(0.38)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	1.28	3.75	1.27	(0.20)
<b>Distributions to Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	—	—	—	—
<b>Total distributions to Shareholders<sup>(3)</sup></b>	—	—	—	—
<b>Net Assets, end of the period</b>	15.79	14.28	10.87	9.80

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

**Ratios and Supplemental Data**

Total net asset value (\$000's) <sup>(1)</sup>	12,139	7,263	303	55
Number of shares outstanding <sup>(1)</sup>	767,647	506,475	27,771	5,564
Management expense ratio <sup>(2)</sup>	5.76%	3.10%	0.15%	0.29%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	5.76%	5.33%	6.96%	45.59%
Trading expense ratio <sup>(3)</sup>	0.92%	0.90%	0.80%	1.32%
Portfolio turnover rate <sup>(4)</sup>	158.32%	275.51%	312.67%	48.98%
Net asset value per share (\$)	15.81	14.34	10.91	9.91

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial price

**Series X**
**The Fund's Net Assets per Share <sup>(1)</sup>**

	April 30 2014 \$	October 31 2013 \$	For the period from commencement of operation on January 19, 2012 to October 31 2011 \$
<b>Net Assets, beginning of the period</b>	14.10	10.77	9.13*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.08	0.13	0.02
Total expenses	(0.46)	(0.32)	(0.04)
Realized gains (losses) for the period	1.26	0.99	—
Unrealized gains (losses) for the period	0.71	2.70	0.76
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	1.59	3.50	0.74
<b>Distributions to Shareholders:</b>			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	—	—	—
<b>Net Assets, end of the period</b>	15.59	14.10	10.77

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

**Ratios and Supplemental Data**

Total net asset value (\$000's) <sup>(1)</sup>	2,774	3,321	1,224
Number of shares outstanding <sup>(1)</sup>	177,616	234,472	113,260
Management expense ratio <sup>(2)</sup>	6.02%	2.56%	0.58%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	6.02%	4.78%	9.27%
Trading expense ratio <sup>(3)</sup>	0.92%	0.90%	0.80%
Portfolio turnover rate <sup>(4)</sup>	158.32%	275.51%	312.67%
Net asset value per share (\$)	15.62	14.16	10.81

- (1) This information is provided as at end of the period shown.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The manager waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

\* Initial price

## MANAGEMENT AND PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.5% of the net asset value of the Fund calculated and paid at the end of each month in arrears from each Fund series.

In consideration of the management fees payable by the Fund to the Manager, the Manager is responsible for providing marketing and promotion, fund management and administration and investment advisory services to the Fund. Fund management and administration services include establishing investment objectives, selecting investment sub-advisors, if applicable, and establishing and maintaining an appropriate infrastructure to meet accounting, financial and taxation reporting requirements. The Manager is also responsible for establishing and maintaining a servicing and risk management framework to ensure regulatory compliance, which includes regular monitoring. The Manager does not charge or allocate corporate overhead or expenses to the Fund.

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

The Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding fiscal quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is the S&P 500 Index. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter, in which a performance fee was paid. The starting reference point for the next fiscal quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support.

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

## DEALER COMPENSATION

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

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

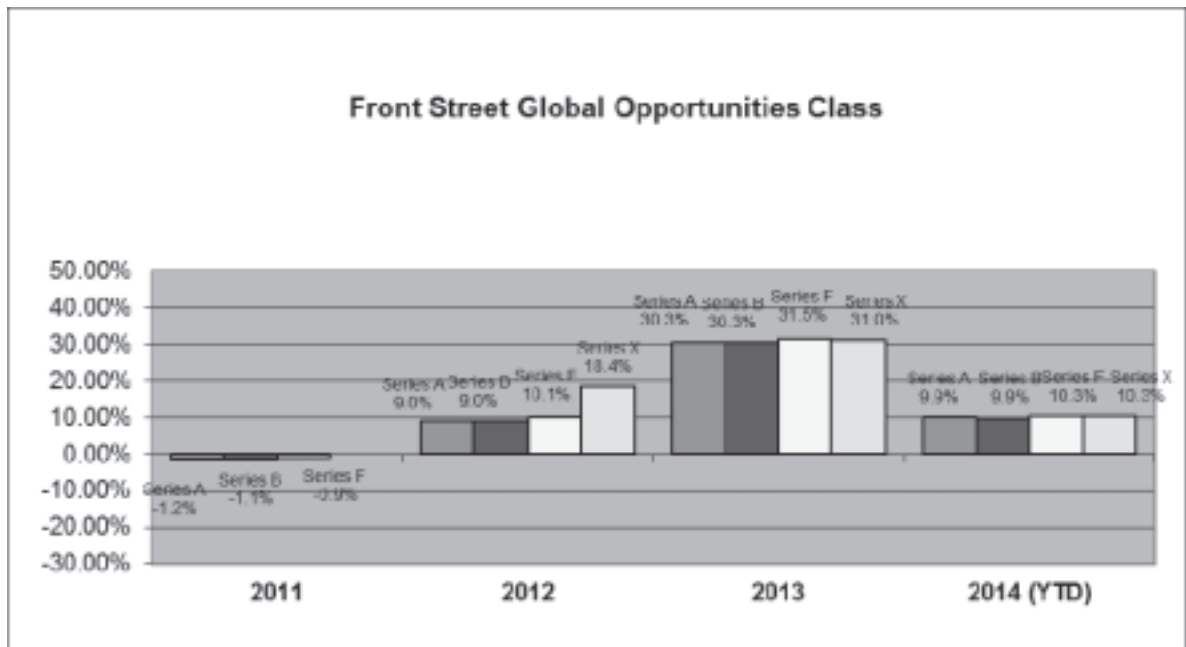
<b>Series</b>	<b>Trailer Annual Rate</b>	<b>Annual Payment per \$1,000 of Fund securities held</b>
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
X	0.50%	\$5.00

**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 and since inception, as at October 31, 2013 and as compared to the performance of the S&P 500 Index.

Front Street Global Opportunities Class	Past 1 year	Since commencement of operations July 8, 2011
Series A	30.33	15.63%
Series B	30.31	15.69%
Series F	31.51	16.71%
S&P 500 Index	24.39	13.00%

Front Street Global Opportunities Class	Past 1 year	Since commencement of operations January 19, 2012
Series X	31.01	25.69%
S&P 500 Index	24.39	18.12%

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

## Summary of Investment Portfolio as at April 30, 2014

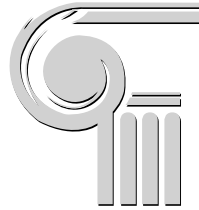
### *Portfolio by Category*

	Percentage of Transactional Net Asset Value
<b>LONG POSITIONS</b>	
Information Technology	24.3%
Financials	17.9%
Cash and Cash Equivalents	13.3%
Energy	11.4%
Consumer Discretionary	11.2%
Materials	10.1%
Industrials	8.0%
Health Care	2.7%
Telecommunication Services	2.1%
Corporate Bonds	0.4%
Consumer Staples	0.0%
Forward contract	0.0%
<b>SHORT POSITIONS</b>	
Written Put Option	-0.8%
Written Call Option	-0.2%
Consumer Discretionary	0.0%
Information Technology	0.0%
<b>Other assets less other liabilities</b>	<b>-0.4%</b>
	<hr/> 100.0%



**Top 25 Holdings**

	Percentage of Transactional Net Asset Value
<b>LONG POSITIONS</b>	
Apple Inc.	4.1%
Altus Group Limited	3.6%
The Dow Chemical Company	3.5%
Boyd Group Income Fund	3.1%
Bauer Performance Sports Limited	2.9%
Qualcomm Inc.	2.8%
Fluor Corporation	2.7%
Baxter International Inc.	2.7%
North American Energy Partners Inc.	2.6%
Allstate Corporation	2.6%
Xtreme Drilling and Coil Services Corporation	2.6%
LyondellBasell Industries NV	2.6%
The Descartes Systems Group Inc.	2.4%
Wells Fargo & Company	2.4%
MetLife Inc.	2.2%
Magna International Inc.	2.2%
Mitel Networks Corporation	2.1%
CBS Corporation	1.9%
Google Inc	1.9%
E. I. du Pont de Nemours and Company	1.9%
Regions Financial Corporation	1.8%
BRP Inc./CA Subordinate Voting Shares	1.7%
Trinidad Drilling Limited	1.7%
Morgan Stanley	1.7%
COM DEV International Limited	1.6%
	61.3%
<hr/>	
<b>TOTAL TRANSACTIONAL NET ASSET VALUE (000's)</b>	<b>\$78,060</b>



# **FRONT STREET**

## **Global Opportunities Class**

### **INTERIM FINANCIAL STATEMENTS**

### **FRONT STREET GLOBAL OPPORTUNITIES CLASS**

FOR THE SIX MONTHS ENDED APRIL 30, 2014

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

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

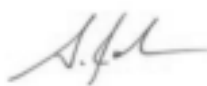
### STATEMENTS OF NET ASSETS AS AT APRIL 30, 2014 (UNAUDITED) AND OCTOBER 31, 2013 (AUDITED)

	2014 (Unaudited)	2013 (Audited)
<b>ASSETS</b>		
Investments, at fair value (cost - \$60,787,511 , 2013 - \$34,258,459)	\$ 68,679,030	\$ 40,140,336
Cash and cash equivalents	10,423,929	9,459,991
Accounts receivable relating to portfolio assets sold	4,075,554	2,868,041
Accounts receivable relating to shares issued	235,398	549,053
Amounts receivable relating to accrued income	33,207	24,958
Forward contracts, at fair value	200	-
	<u>\$ 83,447,318</u>	<u>\$ 53,042,379</u>
<b>LIABILITIES</b>		
Liabilities for portfolio assets purchased	\$ 4,225,276	\$ 1,098,367
Obligations from portfolio assets sold short, at fair value	830,846	366,061
Accrued expenses, note 8	244,672	185,158
Accounts payable relating to shares redeemed	221,197	55,327
Performance fees payable	—	361,140
	<u>5,521,991</u>	<u>2,066,053</u>
<b>Net assets representing shareholders' equity</b>	<u>\$ 77,925,327</u>	<u>\$ 50,976,326</u>
<b>Net assets applicable to outstanding shares allocated as follows:</b>		
Net assets, Series A	\$ 35,202,318	\$ 23,654,032
Shares outstanding, Series A, note 3	2,285,555	1,692,921
Net assets per share, Series A	<u>\$ 15.40</u>	<u>\$ 13.97</u>
Net assets, Series B	\$ 27,835,405	\$ 16,784,460
Shares outstanding, Series B, note 3	1,805,661	1,199,773
Net assets per share, Series B	<u>\$ 15.42</u>	<u>\$ 13.99</u>
Net assets, Series F	\$ 12,118,047	\$ 7,231,655
Shares outstanding, Series F, note 3	767,647	506,475
Net assets per share, Series F	<u>\$ 15.79</u>	<u>\$ 14.28</u>
Net assets, Series X	\$ 2,769,557	\$ 3,306,179
Shares outstanding, Series X, note 3	177,616	234,472
Net assets per share, Series X	<u>\$ 15.59</u>	<u>\$ 14.10</u>

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



Gary P. Selke  
Chief Executive Officer and Director



Susan Johnson  
Chief Financial Officer

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF OPERATIONS

FOR THE PERIODS ENDED APRIL 30, 2014 AND 2013

(UNAUDITED)

	November 1, 2013 to April 30, 2014 (Unaudited)	November 1, 2012 to April 30, 2013 (Unaudited)
<b>Investment income</b>		
Dividends	\$ 326,213	\$ 44,703
Interest	23,236	21,578
Securities lending revenue, note 7	4,869	809
	<u>354,318</u>	<u>67,090</u>
<b>Expenses</b>		
Performance fees, notes 4 and 8	1,086,533	-
Management fees, notes 4 and 8	577,845	136,008
Servicing fees, notes 4 and 8	280,031	61,172
Administration fees	116,380	41,442
Audit fees	29,983	12,625
Securityholder reporting costs	28,817	5,872
Operating costs, notes 4 and 8	15,383	-
Custodial fees	12,366	1,314
Legal fees	9,620	659
Independent review committee	2,749	384
Compensatory dividends	598	1,656
	<u>2,160,305</u>	<u>261,132</u>
Expenses waived or absorbed by Manager, notes 4 and 8	<u>—</u>	<u>(196,990)</u>
	<u>2,160,305</u>	<u>64,142</u>
<b>Net investment income (loss) gain for the period</b>	<u>(1,805,987)</u>	<u>2,948</u>
<b>Net realized and unrealized gains (losses) on investments</b>		
Net realized gain on sale of investments	5,828,588	314,859
Transaction costs, note 6	(312,187)	(80,681)
Change in the unrealized appreciation of the value of investments	2,053,014	983,906
<b>Net gain on investments for the period</b>	<u>7,569,415</u>	<u>1,218,084</u>
<b>Net increase in net assets from operations for the period</b>	<u>\$ 5,763,428</u>	<u>\$ 1,221,032</u>
Increase in net assets from operations applicable to outstanding shares allocated as follows		
Increase in net assets from operations, Series A	\$ 2,639,773	\$ 620,933
Increase in net assets from operations per share, Series A	<u>\$ 1.30</u>	<u>\$ 0.96</u>
Increase in net assets from operations, Series B	\$ 1,932,728	\$ 321,043
Increase in net assets from operations per share, Series B	<u>\$ 1.24</u>	<u>\$ 0.95</u>
Increase in net assets from operations, Series F	\$ 867,514	\$ 112,605
Increase in net assets from operations per share, Series F	<u>\$ 1.28</u>	<u>\$ 1.06</u>
Increase in net assets from operations, Series X	\$ 323,413	\$ 166,451
Increase in net assets from operations per share, Series X	<u>\$ 1.59</u>	<u>\$ 1.15</u>

See accompanying notes to the financial statements

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE PERIODS ENDED APRIL 30, 2014 AND 2013 (UNAUDITED)

	November 1, 2013 to April 30, 2014 (Unaudited)	November 1, 2012 to April 30, 2013 (Unaudited)
<b>Series A</b>		
Net assets, beginning of period	\$ 23,654,032	\$ 2,889,972
Net increase in net assets from operations	2,639,773	620,933
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	13,756,331	11,345,458
Aggregate amounts paid on redemption of shares	(4,847,818)	(250,856)
	8,908,513	11,094,602
Net increase in net assets for the period	11,548,286	11,715,535
Net assets, end of period	\$ 35,202,318	\$ 14,605,507
<b>Series B</b>		
Net assets, beginning of period	\$ 16,784,460	\$ 1,016,030
Net increase in net assets from operations	1,932,728	321,043
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	12,962,751	6,960,485
Aggregate amounts paid on redemption of shares	(3,844,534)	(377,863)
	9,118,217	6,582,622
Net increase in net assets for the period	11,050,945	6,903,665
Net assets, end of period	\$ 27,835,405	\$ 7,919,695

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE PERIODS ENDED APRIL 30, 2014 AND 2013 (UNAUDITED)

	November 1, 2013 to April 30, 2014 (Unaudited)	November 1, 2012 to April 30, 2013 (Unaudited)
<b>Series F</b>		
Net assets, beginning of period	\$ 7,231,655	\$ 301,815
Net increase in net assets from operations	867,514	112,605
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	5,265,951	2,326,511
Aggregate amounts paid on the redemption of shares	(1,247,073)	(11,943)
	4,018,878	2,314,568
Net increase in net assets for the period	4,886,392	2,427,173
Net assets, end of period	\$ 12,118,047	\$ 2,728,988
<b>Series X</b>		
Net assets, beginning of period	\$ 3,306,179	\$ 1,220,114
Net increase in net assets from operations	323,413	166,451
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	40,120	1,001,972
Aggregate amounts paid on redemption of shares	(900,155)	(178,897)
	(860,035)	823,075
Net increase (decrease) in net assets for the period	(536,622)	989,526
Net assets, end of period	\$ 2,769,557	\$ 2,209,640

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE PERIODS ENDED APRIL 30, 2014 AND 2013 (UNAUDITED)

	November 1, 2013 to April 30, 2014 (Unaudited)	November 1, 2012 to April 30, 2013 (Unaudited)
<b>Total</b>		
Net assets, beginning of period	\$ 50,976,326	\$ 5,427,931
Net increase in net assets from operations	5,763,428	1,221,032
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	32,025,153	21,634,426
Aggregate amounts paid on redemption of shares	(10,839,580)	(819,559)
	21,185,573	20,814,867
Net increase in net assets for the period	26,949,001	22,035,899
Net assets, end of period	\$ 77,925,327	\$ 27,463,830

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT APRIL 30, 2014 (UNAUDITED)

	Number of Shares / Units/ Par Value	Cost \$	Fair Value \$
<b>Long Positions (88.1%)</b>			
<b>Energy (11.4%)</b>			
Canadian Energy Services & Technology Corporation	31,400	\$ 538,426	\$ 1,007,312
Canyon Services Group Inc.	79,055	986,160	1,185,825
Halliburton Company	10,400	705,395	718,833
North American Energy Partners Inc.	238,520	1,602,431	2,048,044
Precision Drilling Corporation	35,900	494,716	511,216
Trinidad Drilling Limited	110,900	1,111,674	1,354,088
Xtreme Drilling and Coil Services Corporation	405,300	1,425,096	2,026,500
		<u>\$ 6,863,898</u>	<u>\$ 8,851,818</u>
<b>Materials (10.1%)</b>			
Chemtrade Logistics Income Fund	50,000	\$ 950,000	\$ 1,010,000
E. I. du Pont de Nemours and Company	20,100	1,434,276	1,482,209
Huntsman Corporation	24,300	664,570	666,614
Intertape Polymer Group Inc.	800	9,279	10,224
LyondellBasell Industries NV 'A'	20,010	1,643,714	2,027,570
The Dow Chemical Company	49,400	2,554,815	2,700,066
		<u>\$ 7,256,654</u>	<u>\$ 7,896,683</u>
<b>Industrials (8.1%)</b>			
Boyd Group Income Fund	60,400	\$ 1,402,434	\$ 2,374,324
EnWave Corporation	188,000	263,200	225,600
Enwave Corporation Warrants December 20, 2015	94,000	-	13,518
Fluor Corporation	25,500	2,184,624	2,114,523
Gemini Corporation	11,200	7,959	9,520
Ocean Harvest Technology (Canada) Inc.	150,000	150,000	135,000
Patent Properties Inc.	166,666	538,450	583,319
Patent Properties Inc. Warrant September 18, 2016	33,333	-	63,217
People Corporation Restricted	68,182	146,591	172,500
Savaria Corporation Restricted August 15, 2014	32,000	104,000	111,283
Savaria Corporation Warrant April 15, 2017	16,000	-	13,323
WSP Global Inc.	12,200	411,750	456,890
		<u>\$ 5,209,008</u>	<u>\$ 6,273,017</u>
<b>Consumer Discretionary (11.2%)</b>			
Bauer Performance Sports Limited	148,800	\$ 1,933,574	\$ 2,242,416
BRP Inc. /CA Subordinate Voting Shares	46,200	1,294,779	1,362,900
CBS Corporation 'B'	25,000	1,596,822	1,582,254
DHX Media Limited	170,500	426,514	830,335
Lions Gate Entertainment Corporation	34,100	1,109,326	991,492
Magna International Inc.	16,000	1,465,882	1,716,987
		<u>\$ 7,826,897</u>	<u>\$ 8,726,384</u>
<b>Consumer Staples (0.0%)</b>			
Crumbs Bake Shop Inc.	7,707	\$ 8,226	\$ 3,715



## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT APRIL 30, 2014 (UNAUDITED)

	Number of Shares / Units/ Par Value	Cost \$	Fair Value \$
<b>Financials (17.9%)</b>			
Allstate Corporation	32,900	\$ 1,956,773	\$ 2,052,691
Altus Group Limited	145,200	1,999,591	2,802,360
American International Group Inc.	13,100	727,065	762,366
Bank of America Corporation	26,600	469,419	441,206
Committed Capital Acquisition Corporation II	52,200	286,018	291,658
KeyCorp	20,500	310,761	306,114
MetLife Inc.	30,500	1,688,110	1,748,576
Morgan Stanley	40,000	1,326,297	1,354,105
Regions Financial Corporation	126,513	1,428,706	1,404,037
Santander Consumer USA Holdings Inc.	37,887	991,136	941,800
Wells Fargo & Company	34,500	1,725,784	1,875,090
		<u>\$ 12,909,660</u>	<u>\$ 13,980,003</u>
<b>Health Care (2.7%)</b>			
Baxter International Inc.	26,000	\$ 1,958,369	\$ 2,072,811
<b>Telecommunication Services (2.1%)</b>			
Mitel Networks Corporation	164,181	\$ 1,616,767	\$ 1,645,803
<b>Information Technology (24.2%)</b>			
Apple Inc.	5,000	\$ 2,934,104	\$ 3,232,049
Avago Technologies Limited	17,600	1,065,684	1,224,199
BSM Technologies Inc.	60,600	85,812	142,410
Ciena Corporation	55,800	1,317,886	1,207,967
COM DEV International Limited	346,800	1,312,267	1,258,884
Enghouse Systems Limited	35,200	1,124,720	1,091,904
Facebook Inc. 'A'	13,800	910,598	903,793
Google Inc - Class A	300	194,852	175,698
Google Inc - Class C	2,300	1,353,564	1,327,090
Halogen Software Inc.	12,800	153,852	119,552
Mobidia Technology Inc.'A' Series 5 Preferred Shares	178,600	250,040	223,250
PNI Digital Media Inc.	731,800	483,455	987,930
Pure Technologies Limited	123,800	678,666	875,266
QHR Corp	591,300	341,266	721,386
Qualcomm Inc.	25,000	1,884,434	2,155,229
Quindell PLC	605,000	163,299	279,720
RDM Corporation	100,000	262,000	270,000
Redknee Solutions Inc.	75,000	362,525	357,750
Redline Communications Group Inc. Warrants July 30, 2015	13,500	-	2,271
Sprylogics International Corporation	375,000	150,000	138,750
The Descartes Systems Group Inc.	127,100	1,421,233	1,877,267
VersaPay Corporation Restricted June 5, 2014	284,400	341,280	300,326
VersaPay Corporation Warrant	142,200	-	41,246
Wi2Wi Corporation	1,000	209	130
		<u>\$ 16,791,746</u>	<u>\$ 18,914,067</u>
<b>Corporate Bonds (0.4%)</b>			
Crumbs Bake Shop Inc.			
Convertible Note, 6.500% May 7, 2018	245,000	\$ 246,286	\$ 214,729
ePals Corporation			
Convertible Debentures, 6.500% October 31, 2014	100,000	100,000	100,000
		<u>\$ 346,286</u>	<u>\$ 314,729</u>
<b>Total Long Positions ( 88.1% )</b>		<u>\$ 60,787,511</u>	<u>\$ 68,679,030</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT APRIL 30, 2014 (UNAUDITED)

	Number of Shares / Units/ Par Value	Cost \$	Fair Value \$
<b>Short Positions (-1.1%)</b>			
<b>Consumer Discretionary (-0.0%)</b>			
Glentel Inc.	(1,300)	\$ (17,680)	\$ (14,989)
<b>Information Technology (-0.0%)</b>			
Datawatch Corporation	(200)	\$ (3,094)	\$ (2,965)
ViXS Systems Inc.	(7,800)	(13,308)	(11,154)
		<u>\$ (16,402)</u>	<u>\$ (14,119)</u>
<b>Written Option (-1.0%)</b>			
Allstate Corporation May/52.5 WPO	(45)	(2,123)	(789)
Apple Inc. May/545 WPO	(40)	(14,909)	(2,410)
Bank of America Corporation May/15 WPO	(375)	(8,274)	(11,092)
Bank of America Corporation May/16 WPO	(90)	(3,259)	(8,874)
Bank of America Corporation May/17 WPO	(500)	(68,372)	(102,435)
CBS Corporation May/57.5 WPO	(300)	(40,699)	(65,733)
CBS Corporation May/62.5 WCO	(250)	(16,389)	(19,172)
CGI Group Inc. 'A' May/40 WPO	(100)	(4,900)	(11,200)
Ciena Corporation May/24 WCO	(100)	(13,056)	(657)
Citigroup Inc. May/46 WPO	(90)	(5,260)	(2,268)
E. I. du Pont de Nemours and Company May/67.5 WCO	(183)	(10,024)	(12,230)
Facebook Inc. 'A' Jun/52.5 WPO	(195)	(47,439)	(22,218)
Facebook Inc. 'A' Jun/55 WPO	(195)	(51,684)	(35,463)
Facebook Inc. 'A' May/55 WPO	(216)	(86,519)	(14,436)
Facebook Inc. 'A' May/62.5 WCO	(138)	(14,066)	(15,572)
Fluor Corporation May/72.5 WPO	(45)	(6,813)	(3,944)
Fluor Corporation May/75 WPO	(70)	(6,870)	(11,503)
Fluor Corporation May/77.5 WCO	(80)	(6,484)	(9,203)
Fluor Corporation May/80 WCO	(175)	(20,539)	(8,627)
Google Inc - Class C May/540 WCO	(23)	(8,769)	(11,087)
Hewlett-Packard Company May/31 WPO	(250)	(12,336)	(3,013)
KeyCorp May/14 WPO	(500)	(30,242)	(26,841)
Lions Gate Entertainment Corporation May/27 WCO	(172)	(6,407)	(13,190)
Lions Gate Entertainment Corporation May/29 WCO	(168)	(9,060)	(3,681)
LyondellBasell Industries Jun/95 WCO	(88)	(19,958)	(15,907)
LyondellBasell Industries May/92.5 WCO	(71)	(5,664)	(12,834)
Magna International May/110 WCO	(56)	(12,488)	(9,800)
Magna International May/95 WPO	(100)	(7,610)	(14,242)
Morgan Stanley May/32 WCO	(123)	(5,841)	(2,156)
Netflix Inc. Jun/300 WPO	(50)	(73,485)	(56,695)
Netflix Inc. May/345 WPO	(50)	(35,715)	(148,174)
QLIK Technologies Inc. Jun/23 WPO	(125)	(18,212)	(30,812)
QLIK Technologies Inc. May/24 WPO	(125)	(25,781)	(45,192)
Qualcomm Inc. May/80 WCO	(114)	(6,034)	(6,494)
Qualcomm Inc. May/85 WCO	(111)	(3,918)	(365)
Southwestern Energy May/46 WPO	(200)	(9,935)	(12,928)
Splunk Inc. Jun/52.5 WPO	(36)	(12,823)	(17,748)
Ubiquiti Networks Inc. May/37 WPO	(40)	(11,760)	(9,203)
Wells Fargo & Company May/50 WCO	(120)	(11,207)	(3,550)
		<u>\$ (754,924)</u>	<u>\$ (801,738)</u>
<b>Total Short Positions (-1.1%)</b>		<u>\$ (789,006)</u>	<u>\$ (830,846)</u>

**FRONT STREET GLOBAL OPPORTUNITIES CLASS****STATEMENT OF INVESTMENT PORTFOLIO  
AS AT APRIL 30, 2014 (UNAUDITED)**

	Number of Shares / Units/ Par Value	Cost \$	Fair Value \$
<b>Forward, at fair value, note 11, (0.0%)</b>			
Unrealized Gain on forward foreign currency contracts		\$ -	\$ 200
<b>Transaction costs</b>		\$ (147,482)	
<b>Total Investments (87.0%)</b>		<u>\$ 59,851,023</u>	67,848,384
<b>Cash and Cash equivalents (13.4%)</b>			10,423,929
<b>Other assets less other liabilities (-0.4%)</b>			<u>(346,986)</u>
<b>Net assets (100.0%)</b>			<u>\$ 77,925,327</u>

# FRONT STREET GLOBAL OPPORTUNITIES CLASS

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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### 1. THE FUND

Front Street Global Opportunities Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Pursuant to the notice of change in legal structure, the name of the fund was changed to Front Street Global Opportunities Class on June 27, 2012. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. The Fund was established on June 29, 2011. Series A commenced operations on July 8, 2011. Series B commenced operations on July 8, 2011. Series F commenced operations on July 8, 2011. Series X commenced operations on January 19, 2012.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at April 30, 2014.

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

The Fund's investment objective is to provide shareholders with long term capital growth through the selection, management and strategic sector rotation and trading of global positions in equity, debt and derivative securities. The Fund may have exposure to all sectors of the economy, with the ability to focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund will be global in nature and invest in small, medium and large cap companies.

# FRONT STREET GLOBAL OPPORTUNITIES CLASS

## NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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### 2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

Investments, at fair value and obligations from portfolio assets sold short, at fair value, are classified as held for trading. Accounts receivable relating to portfolio assets sold, accounts receivable relating to shares issued and amounts receivable relating to accrued income are classified as loans and receivable. Liabilities for portfolio assets purchased, performance fees payable, accrued expenses and accounts payable relating to shares redeemed have been classified as other financial liabilities.

The Canadian Securities Administrators adopted changes to National Instrument 81-106 on Investment Fund Continuous Disclosure. The changes are essentially aimed at modifying the requirements pertaining to the calculation of the unit value due to the inclusion of Section 3855, Financial Instruments - Recognition and Measurement of the CPA Canada Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 9) as well as description of the differences between the valuation principles and practices used by the Manager to calculate the net asset value and those prescribed by Canadian GAAP.

b) Valuation of investments

i) Investments listed on an exchange are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The difference between this amount and cost is shown as the change in the unrealized appreciation (depreciation) of the value of investments. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques to be used in the determination of fair value. When current market prices or quotations are not readily available, valuations are established using specific procedures in order to estimate what the fair value would be, in an arms length transaction, motivated by normal business considerations. Valuation techniques principally include the use of the last publicly traded price, the issuance price of securities at the date of the most recent financing of the entity or a price established by the Manager in accordance with its fair value policy.

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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

##### b) Valuation of investments (Continued...)

- ii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraph (i) above less a discount of 2% per month up to four months.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from values that would have been established had a ready market existed for these investments.

- iii) Trust units are valued at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The cost of the trust units is reduced on an annual basis by distributions from the trust and increased by the annual income allocated to the units by the trust.

- iv) Investments in mutual funds or pooled funds are valued based on the net asset value per unit at the close of trading on the financial statement date.

- v) The Fund values its investments in limited partnerships at the last bid price reported by the principal securities exchange on which the issue is traded on the financial statement date. The Fund calculates the cost value of its investment in limited partnerships using the equity method. Under this method, the limited partnership investments are recorded at cost plus the Fund's pro rata share in undistributed earnings since acquisition.

- vi) The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities which are sold short are valued at the last ask price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter a short sale, the Fund may need to borrow the security for delivery to the buyer.

While the transaction is open, the Fund will also incur a liability for any paid dividends or interest which are due to the lender of the security.

- vii) The Fund invests in derivatives which represent financial instruments which may require little or no initial investment and which are settled in the future. These investments are commonly referred to as options, forwards or futures contracts. Futures contracts listed upon a principal exchange are valued at their last bid price (for long contracts) and last ask price (for short contracts) at the financial statement date. Contracts with no available bid and ask prices are valued at the fair value as determined by the Manager.

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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

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

The Fund has adopted CPA Canada Handbook Sections 3862, Financial Instruments - Disclosures and 3863, Financial Instruments - Presentation. These standards place increased emphasis on disclosures with respect to the nature and extent of risks arising from financial instruments and how the Fund has managed those risks. See note 10 for additional details.

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

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

See note 12 for additional details.

##### d) Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. 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 Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments.

##### e) Cash and cash equivalents

Cash and cash equivalents consist of cash balances with banks and highly liquid short-term investments with original terms to maturity of less than three months.

##### f) Investment transactions and income recognition

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

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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#### 2. 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 be 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 operations securities lending revenue.

h) Foreign currency translation

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

i) Net increase (decrease) in net assets from operations per share

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

j) Net assets per share

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

k) Capital disclosures

The Fund has adopted CPA Canada Handbook Section 1535, Capital Disclosures, which requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such noncompliance. See note 11 for additional details.

l) General standards on financial statement presentation

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



## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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

##### m) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant estimates include the fair value of the Fund's investments in private companies and the fair value of the Fund's investments in corporate warrants not traded in active markets. Actual results may differ from those estimates.

##### n) Future accounting pronouncements

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

##### International financial reporting standards ("IFRS")

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

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

- (a) IAS 32, Financial Instruments: Disclosure and Presentation, require shareholders' equity to be classified as liability unless certain criteria are met. The Fund's shareholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's shareholder structure and has determined the liability treatment is the most appropriate classification.
- (b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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

##### n) Future accounting pronouncements (Continued...)

- (c) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund's financial statements.

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

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

#### 3. SHARES ISSUED AND OUTSTANDING

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

##### Series A shares

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

##### Series B shares

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013 (UNAUDITED)

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

##### Series F shares

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

##### Series X shares

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

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

The following share transactions took place during the period:

	November 1, 2013 to April 30, 2014	November 1, 2012 to April 30, 2013
Shares outstanding, beginning of the period:		
Series A	1,692,921	269,334
Series B	1,199,773	94,545
Series F	506,475	27,771
Series X	234,472	113,260
Shares issued during the period:		
Series A	908,591	986,513
Series B	854,981	606,054
Series F	340,564	199,822
Series X	2,637	88,083
Shares redeemed during the period:		
Series A	315,957	21,647
Series B	249,093	32,305
Series F	79,392	1,007
Series X	59,493	15,817
Shares outstanding, end of the period:		
Series A	2,285,555	1,234,200
Series B	1,805,661	668,294
Series F	767,647	226,586
Series X	177,616	185,526

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

(UNAUDITED)

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#### 4. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.5% of the net asset value of the Fund calculated and paid at the end of each month in arrears from each Fund series.

In consideration of the management fees payable by the Fund to the Manager, the Manager is responsible for providing marketing and promotion, fund management and administration and investment advisory services to the Fund. Fund management and administration services include establishing investment objectives, selecting investment sub-advisors, if applicable, and establishing and maintaining an appropriate infrastructure to meet accounting, financial and taxation reporting requirements. The Manager is also responsible for establishing and maintaining a servicing and risk management framework to ensure regulatory compliance, which includes regular monitoring. The Manager does not charge or allocate corporate overhead or expenses to the Fund.

The Fund pays a monthly service fee of 1/12 of 1% of the net asset value of the Series A and Series B shares calculated at the end of each month. The Fund pays a monthly service fee of 1/12 of 0.5% of the net asset value of Series X shares.

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

The Fund pays a performance fee if the percentage gain in the net asset value of a series of the Fund (as adjusted for any prior return deficiencies) over the preceding fiscal quarter or quarters since a performance fee was last payable exceeds the percentage gain or loss of the benchmark (the "Benchmark") over the same period. The Benchmark for the Fund is the S&P 500 Index. The fee is equal to this excess return per share multiplied by the number of shares outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per share of the Fund (including distributions) is greater than all previous values at the end of each previous fiscal quarter, in which a performance fee was paid. The starting reference point for the next fiscal quarter's calculation is based on the higher of either the Benchmark performance adjusted net asset value per share or the adjusted actual net asset value per share, both with respect to the previous quarter in which a performance fee was payable.

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support.

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

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#### 5. INCOME TAX AND DISTRIBUTION

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

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

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

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

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

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

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013 (UNAUDITED)

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#### 6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to securities transactions for the period ended April 30, 2014 was \$312,187 (April 30, 2013 - \$80,681).

#### 7. SECURITIES LENDING

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. 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, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the period 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. As at April 30, 2014 and October 31, 2013, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows.

	April 30, 2014	October 31, 2013
Value of securities loaned	\$ <u>Nil</u>	\$ <u>315,437</u>
Value of collateral received	\$ <u>Nil</u>	\$ <u>372,606</u>

#### 8. RELATED PARTY TRANSACTIONS

During the periods ended April 30, 2014 and 2013, fees paid to (waived or absorbed by) the Manager were as follows:

	2014	2013
Performance fees, note 4	\$ <u>1,086,533</u>	\$ <u>-</u>
Management fees, note 4	\$ <u>577,845</u>	\$ <u>136,008</u>
Servicing fees, note 4	\$ <u>280,034</u>	\$ <u>61,172</u>
Operating costs, note 4	\$ <u>15,383</u>	\$ <u>-</u>
Expenses waived or absorbed by Manager, note 4	\$ <u>-</u>	\$ <u>(196,990)</u>

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013 (UNAUDITED)

#### 8. RELATED PARTY TRANSACTIONS (Continued...)

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

	April 30, 2014	October 31, 2013
Management fee payable	\$ 94,286	\$ 69,104
Servicing fees payable	53,214	33,939
Operating costs payable	<u>2,458</u>	<u>2,984</u>
	<u>\$ 149,958</u>	<u>\$ 106,027</u>

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

	April 30, 2014	October 31 2013
Series A shares held by the Manager	Nil	5,000
Percentage of Series A shares held by the Manager	Nil%	0.30%
Series B shares held by the Manager	Nil	5,000
Percentage of Series B shares held by the Manager	Nil%	0.42%
Series B shares held by the relatives of the Partners of the Manager	2,732	Nil
Percentage of Series B shares held by the relatives of the Partners of the Manager	0.15%	Nil%
Series F shares held by the Manager	Nil	5,000
Percentage of Series F shares held by the Manager	Nil%	0.99%
Series F shares held by the Partners of the Manager	149,405	Nil
Percentage of Series F shares held by the Partners of the Manager	19.46%	Nil%
Series F shares held by the relatives of the Partners of the Manager	771	108,359
Percentage of Series F shares held by the relatives of the Partners of the Manager	0.10%	21.39%

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those nonaffiliated, qualified brokerage firms, on an execution only basis. During the period ended April 30, 2014, Tuscarora Capital Inc., a company under common control to the Manager, received \$157,676 (April 30, 2013 - \$51, 808) in commissions on portfolio transactions for the Fund.

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

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

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

These changes account for the difference between transactional NAV and GAAP NA. The impact of the adoption of Section 3855 on the net asset value of the Fund is as follows:

As at April 30, 2014

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 35,263,295	\$ (60,977)	\$ 35,202,318	\$ 15.43	\$ 15.40
Series B	27,883,555	(48,150)	27,835,405	15.44	15.42
Series F	12,138,978	(20,931)	12,118,047	15.81	15.79
Series X	2,774,347	(4,790)	2,769,557	15.62	15.59
Total	\$ 78,060,175	\$ (134,848)	\$ 77,925,327		

As at October 31, 2013

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 23,757,263	\$ (103,231)	\$ 23,654,032	\$ 14.03	\$ 13.97
Series B	16,857,983	(73,523)	16,784,460	14.05	13.99
Series F	7,263,383	(31,728)	7,231,655	14.34	14.28
Series X	3,320,694	(14,515)	3,306,179	14.16	14.10
Total	\$ 51,199,323	\$ (222,997)	\$ 50,976,326		



## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013 (UNAUDITED)

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#### 10. FINANCIAL INSTRUMENTS

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

	As at April 30, 2014 (Unaudited)	As at October 31, 2013 (Audited)
<b>Assets</b>		
Held for trading	\$ 68,679,230	\$ 40,140,336
Cash and cash equivalents	10,423,929	9,459,991
Loans and receivables	<u>4,344,159</u>	<u>3,442,052</u>
Total Assets	<u>\$ 83,447,318</u>	<u>\$ 53,042,379</u>
<b>Liabilities</b>		
Other financial liabilities at amortized cost	\$ 4,691,145	\$ 1,699,992
Held for trading	<u>830,846</u>	<u>366,061</u>
Total liabilities	<u>\$ 5,521,991</u>	<u>\$ 2,066,053</u>
Net Assets	<u>\$ 77,925,327</u>	<u>\$ 50,976,326</u>

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

#### Risk Management

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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

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(UNAUDITED)

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#### 10. FINANCIAL INSTRUMENTS (Continued...)

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at April 30, 2014, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

i) Market price risk

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

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

ii) Currency risk

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

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

Currency	Marketable securities, at fair value	Cash	Forward currency contracts (note 11)	Net exposure	Percentage of GAAP NA
United States Dollar	<u>\$39,699,150</u>	<u>\$ 7,647,605</u>	<u>\$ -</u>	<u>\$ 47,346,755</u>	<u>60.7%</u>
British Pound	<u>\$ 279,720</u>	<u>\$ 372,251</u>	<u>\$ (591,320)</u>	<u>\$ 60,651</u>	<u>0.1%</u>

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

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#### 10. 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.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-interest Bearing	Total
Held for trading	\$ -	\$ 317,748	\$ 68,361,282	\$ 68,679,230
Other receivables	-	-	4,344,159	4,344,159
Cash and cash equivalents	<u>10,423,929</u>	<u>-</u>	<u>-</u>	<u>10,423,929</u>
Total	<u>\$ 10,423,929</u>	<u>\$ 317,748</u>	<u>\$ 72,705,441</u>	<u>\$ 83,447,318</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 830,846	\$ 830,846
Other financial liabilities	<u>4,691,145</u>	<u>-</u>	<u>-</u>	<u>4,691,145</u>
Total	<u>\$ 4,691,145</u>	<u>\$ -</u>	<u>\$ 830,846</u>	<u>\$ 5,521,991</u>
GAAP NA				<u>\$ 77,925,327</u>

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS APRIL 30, 2014 AND 2013 (UNAUDITED)

#### 10. FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk

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

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

	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets						
Held for trading	\$ 103,018	\$ -	\$ 214,730	\$ -	\$ 68,361,482	\$ 68,679,230
Other receivables	4,344,159	-	-	-	-	4,344,159
Cash and cash equivalents	<u>10,423,929</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,423,929</u>
Total	<u>\$14,871,106</u>	<u>\$ -</u>	<u>\$ 214,730</u>	<u>\$ -</u>	<u>\$ 68,361,482</u>	<u>\$ 83,447,318</u>
Financial liabilities						
Held for trading	\$ -	\$ -	\$ -	\$ -	\$ 830,846	\$ 830,846
Other financial liabilities	<u>4,691,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,691,145</u>
Total	<u>\$ 4,691,145</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830,846</u>	<u>5,521,991</u>
GAAP NA						<u>\$ 77,925,327</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at April 30, 2014, the fair value of such assets was 0.7% (October 31, 2013 – 2.0%) of the total net assets.

##### 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.

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

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#### 10. FINANCIAL INSTRUMENTS (Continued...)

##### vi) Credit risk

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

Financial assets which potentially expose the Fund to credit risk consist principally of investments in bonds and amounts due from brokers. 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 values as recorded in the Fund's Statement of Net Assets.

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 7). As at April 30, 2014, the Fund has loaned securities with an aggregate fair value of \$Nil and received collateral with an aggregate fair value of \$Nil.

As at April 30, 2014, the Fund had 0.4% (October 31, 2013 – 1.6%) of holdings in debt instruments for which the following credit rating have been obtained from Standard and Poor's, Moody's or DBRS:

Debt Instruments by Credit Rating	Percentage of GAAP NA
Not available or not rated	0.4%

#### 11. FORWARD AND FUTURE CONTRACTS

The Fund has entered into forward foreign currency contracts to protect against fluctuations in the British Pound exchange rates.

As at April 30, 2014 the Fund has contracted to sell British Pound currency amounting to Cdn \$1,959,665 at a forward rate of 1.8533 maturing on May 27, 2014 and to buy British Pound currency amounting to Cdn \$ 1,368,546 at a forward rate of 1.8543 maturing on May 27, 2014.

The net unrealized gain from forward contracts amounted to \$200 as at April 30, 2014.

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2014 AND 2013

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#### 12. CAPITAL MANAGEMENT

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

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2013.

The Fund does not have any externally imposed capital requirements.

#### 13. FAIR VALUE HIERARCHY

The following is a summary of inputs used as of April 30, 2014 in valuing the Fund's investments and derivatives at fair value as discussed in note 2c):

	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
Assets at fair value as at April 30, 2014	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 66,946,066</u>	<u>\$ 1,160,185</u>	<u>\$ 572,979</u>	<u>\$ 68,679,230</u>
Liabilities at fair value as at April 30, 2014				
Obligations from portfolio assets sold short at fair value	<u>\$ 830,846</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 830,846</u>

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS

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#### 13. FAIR VALUE HIERARCHY (Continued...)

During the period ended April 30, 2014, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments, at fair value Equities	Investments, at fair value Bonds
Balance as at November 1, 2013	\$ 581,907	\$ 455,608
Purchases	-	-
Sales	-	(107,500)
Transfers out	(206,738)	(100,000)
Gains (losses)		
Realized gain	-	7,500
Change in unrealized gain (loss)	<u>(16,919)</u>	<u>(40,879)</u>
Balance as at April 30, 2014	<u>\$ 358,250</u>	<u>\$ 214,729</u>

The transfer out of equities represents equities reallocated to level one as a result of having quoted prices in active markets for identical assets now available with respect to these holdings.



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