

## **Annual Management Report of Fund Performance As at October 31, 2013 Front Street Global Opportunities Class**

*This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual financial statements for Front Street Global Opportunities Class (the “Fund”), a class of shares of Front Street Mutual Funds Limited. The annual 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 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 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 Annual 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 on the Fund's returns, as the Canadian dollar traded in a wide range relative to the U.S. dollar, over the year. Currency risk impacted principally the Fund's investments that had revenue in U.S. dollars. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

Equity risk also affected Fund volatility. Market volatility was very high this year, as each recovery seemed to be met by a sell-off. Fears of political and economic events around the world influenced stock market direction.

Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the U.S. Federal Reserve's monetary policy activities and public communications for indications as to interest rate policy. Any major increase in interest rates could stifle economic growth.

Credit risk was another factor this past year. In the aftermath of the credit crisis banks are only now starting to lend, but with much higher fees attached. Many companies which are relying on debt to finance expansions have had to halt plans as the funds are not currently available.

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 Annual Information Form.

## RESULTS OF OPERATIONS

For the year ended October 31, 2013, the Front Street Global Opportunities Class returned 30.3% (net of expenses) while the benchmark the S&P 500 Index returned 24.4%.

To date, the U.S. stock market has meaningfully outperformed the S&P/TSX. As we write this in late 2013, U.S. politicians are continuing to play their games, despite the likelihood that the partisan fighting could have significant and largely unnecessary consequences. Nonetheless, we are optimistic that things will get worked out, albeit with some likely, marginal unsettling in the markets. We are anticipating strong market conditions after these issues are resolved, for a number of reasons. First, since World War II, the average 4th quarter return of the S&P 500 is roughly 4%. Second, typically, when we have a strong January (5% or greater), calendar year performance continues in the 4th quarter. Third, the last time we had a government shutdown (17 years ago), the markets posted a 7%-plus return. Fourth, we are entering a seasonal strong period for commodities. Typically, November to March have been the best seasonal periods for commodity stocks. Fifth, geopolitical risks are reduced. While tensions in the Middle East remain high, there appears to be no major imminent threats. Both the German elections and the Italian confidence vote have alleviated immediate concerns in those markets and provided some comfort to the region in general. Sixth, the case for reaccelerating global growth continues. The number of countries with a PMI above 50 increased to 22 in September. With an increasing number of countries recording growth, the Global Purchasing Managers Index had increased to a 27-month high of 51.8, from 51.6 in August, with gains in both developed and emerging markets. We now see, for the first time since 2008-2009, the three major economic zones (Asia, Europe and USA) going in the same, positive direction in terms of economic growth. Seventh, in the fourth-quarter earnings season, we have to date seen very little in the way of warning signs of stalled momentum. Cash-flows have favored equities over recent quarters.

During the year ended October 31, 2013, the Fund earned investment income of \$297,730 from interest, dividends and security lending revenue. There were net realized gains on the sale of investments of \$2,525,041 and an unrealized appreciation on the value of investments of \$5,771,132.

Operating expenses, excluding management fees, performance fees, and servicing fees, totalled \$220,375 and the Manager waived and absorbed \$99,844 of such expenses during the period ended October 31, 2013.

## RECENT DEVELOPMENTS

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 and IFRS 9, Financial Instruments, 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. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- 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 years ended October 31, 2013 and 2012, fees paid to (waived or absorbed by) the Manager were as follows:

	2013	2012
Performance fees	\$ <u>571,838</u>	\$ <u>25,479</u>
Management fees	\$ <u>478,250</u>	\$ <u>34,342</u>
Servicing fees	\$ <u>223,378</u>	\$ <u>13,242</u>
Operating costs	\$ <u>5,943</u>	\$ <u>-</u>
Expenses waived or absorbed by Manager	\$ <u>(595,871)</u>	\$ <u>(139,037)</u>

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

	2013	2012
Management fees payable	\$ 69,104	\$ -
Servicing fees payable	33,939	3,030
Operating costs payable	<u>2,984</u>	<u>-</u>
	<u>\$ 106,027</u>	<u>\$ 3,030</u>

As at October 31, 2013, performance fees payable to the manager amounted to \$361,140 (2012 - \$Nil).

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

	2013	2012
Series A shares held by the Manager	5,000	5,000
Percentage of Series A shares held by the Manager	0.30%	1.86%
Series B shares held by the Manager	5,000	5,000
Percentage of Series B shares held by the Manager	0.42%	5.29%
Series F shares held by the Manager	5,000	5,000
Percentage of Series F shares held by the Manager	0.99%	18.00%
Series F shares held by the Partners of the Manager	108,359	-
Percentage of Series F shares held by relatives of the Partners of the Manager	21.39%	Nil%

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 non-affiliated, qualified brokerage firms, on an execution only basis. During the year ended October 31, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$132,872 (2012 - \$12,535) 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 financial statements.

### Series A

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

	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 year</b>	10.73	9.77	10.00*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.14	0.03	—
Total expenses	(0.42)	(0.10)	(0.02)
Realized gains (losses) for the year	1.05	0.06	0.26
Unrealized gains (losses) for the year	2.71	1.01	(0.24)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	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 year</b>	13.97	10.73	9.77

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differ from the net asset value per share 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 year.
- (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>	23,757	2,900	178
Number of shares outstanding <sup>(1)</sup>	1,692,921	269,334	17,976
Management expense ratio <sup>(2)</sup>	3.38%	1.04%	0.98%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	5.61%	7.85%	57.95%
Trading expense ratio <sup>(3)</sup>	0.90%	0.80%	1.32%
Portfolio turnover rate <sup>(4)</sup>	275.51%	312.67%	48.98%
Net asset value per share (\$)	14.03	10.77	9.88

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

\* Initial price

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

	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 year</b>	10.75	9.78	10.00*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.14	0.03	—
Total expenses	(0.46)	(0.09)	(0.01)
Realized gains (losses) for the year	1.10	0.08	0.24
Unrealized gains (losses) for the year	2.74	1.08	(0.25)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>3.52</b>	<b>1.10</b>	<b>(0.02)</b>
<b>Distributions to Shareholders:</b>			
From income (excluding dividends)	—	—	—
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total distributions to Shareholders <sup>(3)</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the year</b>	<b>13.99</b>	<b>10.75</b>	<b>9.78</b>

- (1) This information is derived from the Fund's audited annual financial statements. The net assets per share presented in the financial statements differ from the net asset value per share 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 year.
- (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>	16,858	1,019	95
Number of shares outstanding <sup>(1)</sup>	1,199,773	94,545	9,649
Management expense ratio <sup>(2)</sup>	3.67%	0.94%	0.73%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	5.89%	7.75%	53.72%
Trading expense ratio <sup>(3)</sup>	0.90%	0.80%	1.32%
Portfolio turnover rate <sup>(4)</sup>	275.51%	312.67%	48.98%
Net asset value per share (\$)	14.05	10.78	9.89

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

\* Initial price

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

	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 year</b>	10.87	9.80	10.00*
<b>Increase (decrease) from operations:</b>			
Total revenue	0.15	0.03	—
Total expenses	(0.40)	—	—
Realized gains (losses) for the year	1.19	0.08	0.18
Unrealized gains (losses) for the year	2.81	1.16	(0.38)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	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 year</b>	14.28	10.87	9.80

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- (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 year.
- (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>	7,263	303	55
Number of shares outstanding <sup>(1)</sup>	506,475	27,771	5,564
Management expense ratio <sup>(2)</sup>	3.10%	0.15%	0.29%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	5.33%	6.96%	45.59%
Trading expense ratio <sup>(3)</sup>	0.90%	0.80%	1.32%
Portfolio turnover rate <sup>(4)</sup>	275.51%	312.67%	48.98%
Net asset value per share (\$)	14.34	10.91	9.91

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\* Initial price



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

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

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- (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 year.
- (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>	3,321	1,224
Number of shares outstanding <sup>(1)</sup>	234,472	113,260
Management expense ratio <sup>(2)</sup>	2.56%	0.58%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	4.78%	9.27%
Trading expense ratio <sup>(3)</sup>	0.90%	0.80%
Portfolio turnover rate <sup>(4)</sup>	275.51%	312.67%
Net asset value per share (\$)	14.16	10.81

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- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year and is expressed as an annualized percentage of daily average net asset value during the year. 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.
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\* 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.

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 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 and Series B 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.

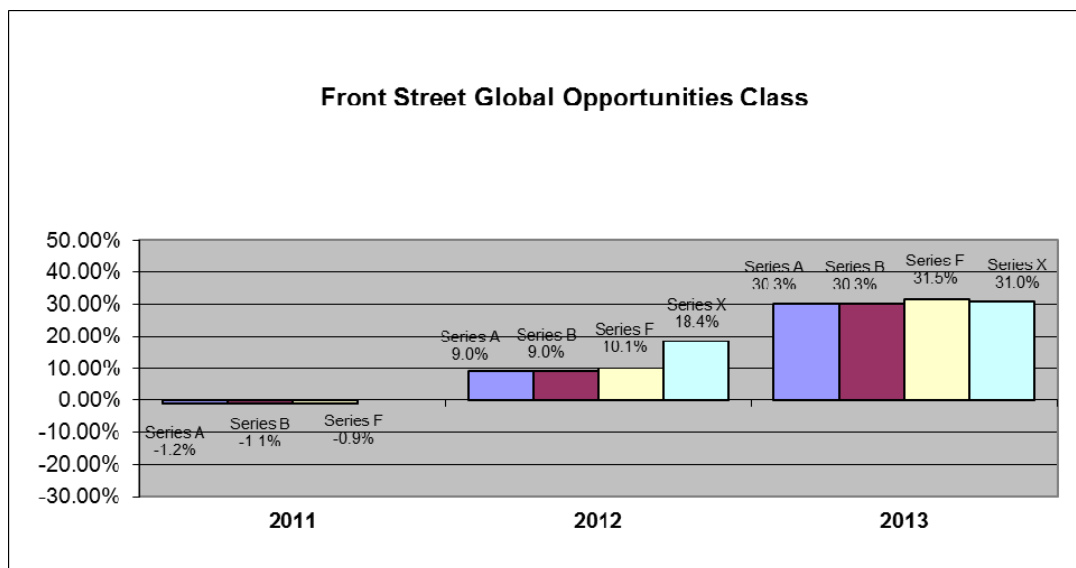
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
X	0.50%	\$5.00

## 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:

- 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;
- 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
- 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 since inception, as compared to the performance of the S&P 500 Index.

	<b>Since commencement of operations July 8, 2011</b>
Front Street Global Opportunities Class Series A	15.63%
Front Street Global Opportunities Class Series B	15.69%
Front Street Global Opportunities Class Series F	16.71%
S&P 500 Index	13.00%

## Summary of Investment Portfolio as at October 31, 2013

### *Portfolio by Category*

	Percentage of Transactional Net Asset Value
<b>LONG POSITIONS</b>	
Information Technology	35.6%
Cash	18.5%
Consumer Discretionary	15.3%
Industrials	5.5%
Materials	5.4%
Energy	4.5%
Consumer Staples	3.4%
Financials	3.3%
Telecommunication Services	3.3%
Corporate Bonds	1.5%
Mutual Funds	0.8%
Health Care	0.1%
Utilities	0.1%
<b>SHORT POSITIONS</b>	
Written Put Option	-0.4%
Written Call Option	-0.2%
Telecommunication Services	-0.1%
<b>Other assets less other liabilities</b>	3.4%
	100.0%

**Top 25 Holdings**

	Percentage of Transactional Net Asset Value
<b>LONG POSITIONS</b>	
Qualcomm Inc.	4.0%
Altus Group Limited	3.2%
Amaya Gaming Group Inc.	3.0%
Verizon Communications Inc.	3.0%
Bauer Performance Sports Limited	2.9%
Atrium Innovations Inc.	2.9%
Facebook Inc. 'A'	2.9%
Avago Technologies	2.8%
McCoy Corporation	2.5%
Boyd Group Income Fund	2.4%
The Descartes Systems Group Inc.	2.4%
Martinrea International Inc.	2.4%
COM DEV International Limited	2.3%
Avigilon Corporation	2.2%
Halogen Software Inc.	2.2%
CGI Group Inc. 'A'	2.1%
E. I. du Pont de Nemours and Company	2.0%
BRP Inc/CA Subordinate Voting Shares	1.9%
Vicwest Inc.	1.9%
LyondellBasell Industries NV 'A'	1.7%
Magna International Inc.	1.7%
Intertape Polymer Group Inc.	1.7%
Enghouse Systems Limited	1.6%
NetApp Inc.	1.5%
DHX Media Limited	1.5%
	58.7%
<b>TOTAL TRANSACTIONAL NET ASSET VALUE (000's)</b>	<b>\$51,199</b>

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



**FRONT STREET CAPITAL**

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**FRONT STREET GLOBAL OPPORTUNITIES CLASS**

**FINANCIAL STATEMENTS  
OCTOBER 31, 2013 AND 2012**

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## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

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

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

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

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

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



Gary P. Selke  
Management Committee Member  
Front Street Capital 2004



Normand G. Lamarche  
Management Committee Member  
Front Street Capital 2004

January 24, 2014  
Toronto, Ontario





**SEGAL LLP**  
**Chartered Professional Accountants**  
An independent member of DFK International

2005 Sheppard Ave. E., No. 500  
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## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of  
Front Street Global Opportunities Class (the "Fund") of Front Street Mutual Funds Limited**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Front Street Global Opportunities Class which comprise the statements of net assets as at October 31, 2013 and 2012, the statements of operations and the statements of changes in net assets for the years then ended and the statement of investment portfolio as at October 31, 2013, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

Independent Auditor's Report  
Page 2

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Front Street Global Opportunities Class as at October 31, 2013 and 2012 and its operations and changes in net assets and the investment portfolio as at October 31, 2013 in accordance with Canadian generally accepted accounting principles.

*Segal LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
January 24, 2014

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF NET ASSETS AS AT OCTOBER 31, 2013 AND 2012

	2013	2012
<b>ASSETS</b>		
Investments, at fair value (cost - \$34,258,459; 2012 - \$2,366,248 )	\$ 40,140,336	\$ 2,531,153
Cash and cash equivalents	9,459,991	2,706,242
Accounts receivable relating to portfolio assets sold	2,868,041	-
Accounts receivable relating to shares issued	549,053	227,679
Amounts receivable relating to accrued income	<u>24,958</u>	<u>2,262</u>
	<u>\$ 53,042,379</u>	<u>\$ 5,467,336</u>
<b>LIABILITIES</b>		
Liabilities for portfolio assets purchased	\$ 1,098,367	\$ -
Obligations from portfolio assets sold short, at fair value	366,061	6,059
Performance fees payable	361,140	-
Accrued expenses, note 8	185,158	3,122
Accounts payable relating to shares redeemed	<u>55,327</u>	<u>30,224</u>
	<u>2,066,053</u>	<u>39,405</u>
<b>Net assets representing shareholders' equity</b>	<u>\$ 50,976,326</u>	<u>\$ 5,427,931</u>
<b>Net assets applicable to outstanding shares allocated as follows:</b>		
Net assets, Series A	\$ 23,654,032	\$ 2,889,972
Shares outstanding, Series A, note 3	1,692,921	269,334
Net assets per share, Series A	<u>\$ 13.97</u>	<u>\$ 10.73</u>
Net assets, Series B	\$ 16,784,460	\$ 1,016,030
Shares outstanding, Series B, note 3	1,199,773	94,545
Net assets per share, Series B	<u>\$ 13.99</u>	<u>\$ 10.75</u>
Net assets, Series F	\$ 7,231,655	\$ 301,815
Shares outstanding, Series F, note 3	506,475	27,771
Net assets per share, Series F	<u>\$ 14.28</u>	<u>\$ 10.87</u>
Net assets, Series X	\$ 3,306,179	\$ 1,220,114
Shares outstanding, Series X, note 3	234,472	\$ 113,260
Net assets per share, Series X	<u>\$ 14.10</u>	<u>\$ 10.77</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 YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
<b>Investment income</b>		
Dividends	\$ 211,630	\$ 1,753
Interest	80,469	3,800
Security lending revenue, note 7	<u>5,631</u>	<u>8</u>
	<u>297,730</u>	<u>5,561</u>
<b>Expenses</b>		
Performance fees, notes 4 and 8	571,838	25,479
Management fees, notes 4 and 8	478,250	34,342
Servicing fees, notes 4 and 8	223,378	13,242
Administration fees	133,105	50,094
Audit fees	37,625	12,432
Securityholder reporting costs	15,827	1,170
Legal fees	12,485	15,456
Custodial fees	11,824	-
Operating costs, notes 4 and 8	5,943	-
Independent review committee	1,909	64
Compensatory dividends	<u>1,657</u>	<u>-</u>
	1,493,841	152,279
Expenses waived or absorbed by Manager, notes 4 and 8	<u>(595,871)</u>	<u>(139,037)</u>
	<u>897,970</u>	<u>13,242</u>
<b>Net investment loss for the year</b>	<u>(600,240)</u>	<u>(7,681)</u>
<b>Net realized and unrealized gains (losses) on investments</b>		
Net realized gain on the sale of investments	2,525,041	23,183
Transaction costs, note 6	(240,857)	(16,294)
Change in the unrealized appreciation of the value of investments	<u>5,771,132</u>	<u>180,145</u>
<b>Net gain on investments for the year</b>	<u>8,055,316</u>	<u>187,034</u>
<b>Net increase in net assets from operations for the year</b>	<u>\$ 7,455,076</u>	<u>\$ 179,353</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF OPERATIONS FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

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	2013	2012
<hr/>		
Increase in net assets from operations applicable to outstanding shares allocated as follows:		
Increase in net assets from operations, Series A	\$ 3,613,759	\$ 75,356
Increase in net assets from operations per share, Series A	<u>\$ 3.48</u>	<u>\$ 1.00</u>
Increase in net assets from operations, Series B	\$ 2,286,933	\$ 30,028
Increase in net assets from operations per share, Series B	<u>\$ 3.52</u>	<u>\$ 1.10</u>
Increase in net assets from operations, Series F	\$ 922,306	\$ 10,435
Increase in net assets from operations per share, Series F	<u>\$ 3.75</u>	<u>\$ 1.27</u>
Increase in net assets from operations, Series X	\$ 632,078	\$ 63,534
Increase in net assets from operations per share, Series X	<u>\$ 3.50</u>	<u>\$ 0.74</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
<b>Series A</b>		
Net assets, beginning of year	\$ 2,889,972	\$ 175,648
Net increase in net assets from operations	3,613,759	75,356
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	20,435,791	2,740,067
Aggregate amounts paid on the redemption of shares	(3,285,490)	(101,099)
	17,150,301	2,638,968
Net increase in net assets for the year	20,764,060	2,714,324
Net assets, end of year	\$ 23,654,032	\$ 2,889,972
<b>Series B</b>		
Net assets, beginning of year	\$ 1,016,030	\$ 94,398
Net increase in net assets from operations	2,286,933	30,028
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	15,336,885	1,081,543
Aggregate amounts paid on the redemption of shares	(1,855,388)	(189,939)
	13,481,497	891,604
Net increase in net assets for the year	15,768,430	921,632
Net assets, end of year	\$ 16,784,460	\$ 1,016,030

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

	2013	2012
<b>Series F</b>		
Net assets, beginning of year	\$ 301,815	\$ 54,516
Net increase in net assets from operations	<u>922,306</u>	<u>10,435</u>
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	7,058,519	236,864
Aggregate amounts paid on the redemption of shares	<u>(1,050,985)</u>	<u>-</u>
	<u>6,007,534</u>	<u>236,864</u>
Net increase in net assets for the year	<u>6,929,840</u>	<u>247,299</u>
Net assets, end of year	<u>\$ 7,231,655</u>	<u>\$ 301,815</u>
<b>Series X</b>		
Net assets, beginning of year	\$ 1,220,114	\$ -
Net increase in net assets from operations	<u>632,078</u>	<u>63,534</u>
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	1,860,732	1,219,595
Aggregate amounts paid on the redemption of shares	<u>(406,745)</u>	<u>(63,015)</u>
	<u>1,453,987</u>	<u>1,156,580</u>
Net increase in net assets for the year	<u>2,086,065</u>	<u>1,220,114</u>
Net assets, end of year	<u>\$ 3,306,179</u>	<u>\$ 1,220,114</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEARS ENDED OCTOBER 31, 2013 AND 2012

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	2013	2012
<b>Total</b>		
Net assets, beginning of year	\$ 5,427,931	\$ 324,562
Net increase in net assets from operations	<u>7,455,076</u>	<u>179,353</u>
<b>Shareholder transactions</b>		
Proceeds from the issuance of shares	44,691,927	5,278,069
Aggregate amounts paid on the redemption of shares	<u>(6,598,608)</u>	<u>(354,053)</u>
	<u>38,093,319</u>	<u>4,924,016</u>
Net increase in net assets for the year	<u>45,548,395</u>	<u>5,103,369</u>
Net assets, end of year	<u>\$ 50,976,326</u>	<u>\$ 5,427,931</u>

See accompanying notes to the financial statements



## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
<b>Long Positions (78.7%)</b>			
<b>Energy (4.5%)</b>			
Canadian Energy Services & Technology Corporation	31,000	\$ 515,384	\$ 581,870
Long Run Exploration Limited	5,000	29,270	28,500
McCoy Corporation	175,400	1,193,883	1,259,372
Strad Energy Services Limited	35,851	117,263	130,498
Xtreme Drilling and Coil Services Corporation	81,809	<u>194,735</u>	<u>287,150</u>
		<u>\$ 2,050,535</u>	<u>\$ 2,287,390</u>
<b>Materials (5.4%)</b>			
E. I. du Pont de Nemours and Company	15,800	\$ 962,903	\$ 1,008,826
Intertape Polymer Group Inc.	57,900	644,608	866,763
LyondellBasell Industries NV 'A'	11,300	<u>841,370</u>	<u>879,478</u>
		<u>\$ 2,448,881</u>	<u>\$ 2,755,067</u>
<b>Industrials (5.5%)</b>			
Bombardier Inc. 'B'	600	\$ 2,918	\$ 2,844
Boyd Group Income Fund	46,900	972,280	1,240,505
CAE Inc.	26,700	275,794	318,798
GENIVAR Inc.	2,500	69,217	74,475
Ocean Harvest Technology (Canada) Inc.	150,000	150,000	150,000
Vicwest Inc.	75,900	988,786	952,545
WaterFurnace Renewable Energy Inc.	3,040	<u>56,266</u>	<u>69,768</u>
		<u>\$ 2,515,261</u>	<u>\$ 2,808,935</u>
<b>Consumer Discretionary (15.3%)</b>			
Amaya Gaming Group Inc.	183,200	\$ 1,110,617	\$ 1,531,552
Bauer Performance Sports Limited	117,700	1,411,032	1,508,914
BRP Inc./CA Subordinate Voting Shares	34,300	908,538	952,168
DHX Media Limited	185,000	369,275	741,850
Lions Gate Entertainment Corporation	13,700	496,400	494,401
Loyalist Group Limited	265,000	171,510	127,200
Magna International Inc.	10,000	855,586	882,700
Martinrea International Inc.	109,000	1,115,716	1,199,000
Mega Brands Inc. Warrants March 30, 2015	295,500	74,464	85,695
Patent Properties Unit	66,666	206,738	208,657
Sirius XM Canada Holdings Inc.	8,400	<u>60,012</u>	<u>73,920</u>
		<u>\$ 6,779,888</u>	<u>\$ 7,806,057</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
<b>Consumer Staples (3.3%)</b>			
Atrium Innovations Inc.	79,300	\$ 1,391,580	\$ 1,478,945
Crumbs Bake Shop Inc.	2,569	2,648	3,431
Legumex Walker Inc.	55,700	<u>243,409</u>	<u>198,849</u>
		<u>\$ 1,637,637</u>	<u>\$ 1,681,225</u>
<b>Financials (3.3%)</b>			
Altus Group Limited	118,106	\$ 1,526,633	\$ 1,647,578
Element Financial Corporation	4,200	<u>51,435</u>	<u>55,860</u>
		<u>\$ 1,578,068</u>	<u>\$ 1,703,438</u>
<b>Health Care (0.1%)</b>			
Merus Labs International Inc.	28,500	<u>\$ 32,649</u>	<u>\$ 39,900</u>
<b>Telecommunication Services (3.3%)</b>			
TeraGo Inc.	14,500	\$ 125,061	\$ 91,640
Verizon Communications Inc.	30,000	<u>1,493,213</u>	<u>1,580,908</u>
		<u>\$ 1,618,274</u>	<u>\$ 1,672,548</u>
<b>Utilities (0.1%)</b>			
Boralex Inc. 'A'	3,600	<u>\$ 37,036</u>	<u>\$ 37,440</u>
<b>Mutual Funds (0.8%)</b>			
Front Street U.S. MLP Income Fund Limited	36,900	<u>\$ 389,995</u>	<u>\$ 405,900</u>
<b>Information Technology (35.5%)</b>			
Absolute Software Corporation	99,300	\$ 596,818	\$ 732,834
Avago Technologies Limited	31,000	1,290,823	1,468,659
Avigilon Corporation	58,700	693,077	1,141,715
BSM Technologies Inc.	255,500	361,797	715,400
C-COM Satellite Systems Inc.	41,800	79,170	76,912
CGI Group Inc. 'A'	30,600	998,368	1,069,776
Ciena Corporation	13,000	331,637	315,472
COM DEV International Limited	277,800	1,041,472	1,152,870
E2open Inc.	1,500	29,180	35,211
Enghouse Systems Limited	30,000	693,378	832,500

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
<b>Information Technology (35.5%) (Continued...)</b>			
Facebook Inc. 'A'	28,400	926,974	1,488,593
Halogen Software Inc.	81,800	952,618	1,109,208
Mobidia Technology Inc. 'A'	178,600	250,040	223,250
NetApp Inc.	19,182	786,184	776,686
PNI Digital Media Inc.	600,000	333,051	486,000
Pure Technologies Limited	88,700	416,061	501,155
QHR Corporation	551,800	298,889	496,620
Qualcomm Inc.	29,000	1,951,039	2,101,856
Redknee Solutions Inc.	98,100	277,761	543,474
Redline Communications Group Inc. Restricted	32,700	189,520	107,736
Redline Communications Group Inc. Warrants July 30, 2015	13,500	-	2,411
Sandvine Corporation	130,900	262,037	342,958
Sierra Wireless Inc.	11,400	118,656	212,268
Sphere 3D Corporation	35,000	28,951	147,350
Sphere 3D Corporation Warrants December 27, 2014	50,000	-	170,582
Spylogics International Corporation	375,000	150,000	251,250
Symbility Solutions Inc.	509,500	230,468	234,370
The Descartes Systems Group Inc.	94,400	906,374	1,204,544
ViXS Systems Inc.	54,400	190,594	196,928
VMware Inc. 'A'	92	8,480	7,800
Wi2Wi Corporation	500	107	110
		<u>\$ 14,393,524</u>	<u>\$ 18,146,498</u>
<b>Corporate Bonds (1.6%)</b>			
American Apparel Inc. 13.000% April 15, 2020	335,000	\$ 330,425	\$ 340,330
Crumbs Bake Shop Inc. Convertible Note, 6.500% May 7, 2018	245,000	246,286	255,608
ePals Corporation Convertible Debentures, 6.500% October 31, 2014	100,000	100,000	100,000
Oak Point Energy Limited Convertible Debentures, 15.000% March 31, 2014	100,000	<u>100,000</u>	<u>100,000</u>
		<u>\$ 776,711</u>	<u>\$ 795,938</u>
<b>Total Long Positions (78.7%)</b>		<u>\$ 34,258,459</u>	<u>\$ 40,140,336</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
<b>Short Positions (-0.7%)</b>			
<b>Information Technology (-0.1%)</b>			
Open Text Corporation	(200)	\$ (16,216)	\$ (15,330)
Ubiquiti Networks Inc.	(400)	(15,043)	(16,104)
		<u>\$ (31,259)</u>	<u>\$ (31,434)</u>
<b>Written Option (-0.6)</b>			
Alimentation Couche-Tard Inc. Nov/68 WPO	(32)	\$ (1,728)	\$ (800)
Alimentation Couche-Tard Inc. Nov/70 WPO	(32)	(3,936)	(3,360)
Apple Inc. Nov/500 WPO	(18)	(13,191)	(6,667)
Avago Technologies Limited Dec/50 WCO	(200)	(17,453)	(11,476)
Bank of America Corporation Nov/14 WPO	(250)	(5,733)	(5,738)
CGI Group Inc. 'A' Nov/40 WCO	(307)	(18,297)	(4,298)
Ciena Corporation Nov/24 WPO	(65)	(4,562)	(8,070)
Cisco Systems Inc. Nov/22 WPO	(250)	(9,814)	(11,998)
eBay Inc. Nov/50 WPO	(300)	(30,714)	(5,008)
Facebook Inc. 'A' Nov/50 WPO	(32)	(7,735)	(6,076)
Facebook Inc. 'A' Nov/55 WCO	(70)	(19,288)	(4,090)
JDS Uniphase Corporation Nov/13 WPO	(500)	(15,055)	(20,344)
JDS Uniphase Corporation Nov/15 WPO	(300)	(21,308)	(61,659)
Lions Gate Entertainment Corporation Nov/40 WCO	(104)	(6,311)	(1,628)
LyondellBasell Industries NV 'A' Dec/80 WCO	(18)	(3,943)	(1,033)
Magna International Inc. Nov/92 WCO	(100)	(9,400)	(6,500)
NetApp Inc. Nov/41 WCO	(250)	(23,675)	(19,301)
Open Text Corporation Nov/74 WPO	(100)	(8,400)	(8,500)
QLIK Technologies Inc. Dec/27 WPO	(250)	(36,561)	(86,072)
Qualcomm Inc. Nov/70 WCO	(228)	(15,073)	(32,588)
Verizon Communications Inc. Nov/50 WCO	(300)	(19,749)	(29,421)
		<u>\$ (291,926)</u>	<u>\$ (334,627)</u>

See accompanying notes to the financial statements

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

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	Number of Shares / Units	Cost \$	Fair Value \$
<b>Total Short Positions (-0.7%)</b>		<u>\$ (323,185)</u>	<u>\$ (366,061)</u>
<b>Transaction costs, note 2</b>		<u>\$ (105,346)</u>	
<b>Total Investments (78.0%)</b>		<u>\$ 33,829,928</u>	39,774,275
<b>Cash and cash equivalents (18.6%)</b>			9,459,991
<b>Other assets less other liabilities (3.4%)</b>			<u>1,742,060</u>
<b>Net assets (100.0%)</b>			<u>\$ 50,976,326</u>

See accompanying notes to the financial statements

# FRONT STREET GLOBAL OPPORTUNITIES CLASS

## NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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### 1. THE FUND

Front Street Global Opportunities Class (formerly Front Street Global Opportunities Fund) (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Pursuant to the notice of change in legal structure, the name of the fund was changed to Front Street 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 October 31, 2013.

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 OCTOBER 31, 2013 AND 2012

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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 CICA Handbook. These changes allow the Fund to report two distinct net asset values: one for the financial statements, which is calculated in accordance with Canadian GAAP (called "net assets") and another for all other purposes, such as unit pricing (called "net asset value"). A reconciliation between the net assets per unit and the net asset value per unit is required (see note 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 OCTOBER 31, 2013 AND 2012

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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 OCTOBER 31, 2013 AND 2012

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

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

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

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

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

See note 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 OCTOBER 31, 2013 AND 2012

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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 year.

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 year.

k) Capital disclosures

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

l) General standards on financial statement presentation

CICA 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 OCTOBER 31, 2013 AND 2012

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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 and IFRS 9, Financial Instruments, 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. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- (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 OCTOBER 31, 2013 AND 2012

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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 and 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.

#### 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 OCTOBER 31, 2013 AND 2012

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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 year:

	2013	2012
Shares outstanding, beginning of the period:		
Series A	269,334	17,976
Series B	94,545	9,649
Series F	27,771	5,564
Series X	113,260	-
Shares issued during the period:		
Series A	1,682,914	261,149
Series B	1,251,755	103,063
Series F	558,778	22,207
Series X	154,077	119,128
Shares redeemed during the period:		
Series A	259,327	9,791
Series B	146,527	18,167
Series F	80,074	-
Series X	32,865	5,868
Shares outstanding, end 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

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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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.

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 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 OCTOBER 31, 2013 AND 2012

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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 OCTOBER 31, 2013 AND 2012

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#### 6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to securities transactions for the year ended October 31, 2013 was \$240,857 (2012 - \$16,294).

#### 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 year the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at October 31, 2013 and 2012, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows.

	2013	2012
Value of securities loaned	<u>\$ 315,437</u>	<u>\$ 71,630</u>
Value of collateral received	<u>\$ 372,606</u>	<u>\$ 135,748</u>

#### 8. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2013 and 2012, fees paid to (waived or absorbed by) the Manager were as follows:

	2013	2012
Performance fees, note 4	<u>\$ 571,838</u>	<u>\$ 25,479</u>
Management fees, note 4	<u>\$ 478,250</u>	<u>\$ 34,342</u>
Servicing fees, note 4	<u>\$ 223,378</u>	<u>\$ 13,242</u>
Operating costs, note 4	<u>\$ 5,943</u>	<u>\$ -</u>
Expenses waived or absorbed by Manager, note 4	<u>\$ (595,871)</u>	<u>\$ (139,037)</u>



## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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

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

	2013	2012
Management fee payable	\$ 69,104	\$ -
Servicing fees payable	33,939	3,030
Operating costs payable	<u>2,984</u>	<u>-</u>
	<u>\$ 106,027</u>	<u>\$ 3,030</u>

As at October 31, 2013, performance fees payable to the manager amounted to \$361,140 (2012 - \$Nil).

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

	2013	2012
Series A shares held by the Manager	5,000	5,000
Percentage of Series A shares held by the Manager	0.30%	1.86%
Series B shares held by the Manager	5,000	5,000
Percentage of Series B shares held by the Manager	0.42%	5.29%
Series F shares held by the Manager	5,000	5,000
Percentage of Series F shares held by the Manager	0.99%	18.00%
Series F shares held by the Partners of the Manager	108,359	-
Percentage of Series F shares held by the relatives of the Partners of the Manager	21.39%	Nil%

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 year ended October 31, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$132,872 (2012 - \$12,535) 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 OCTOBER 31, 2013 AND 2012

#### 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 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		

As at October 31, 2012

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 2,900,075	\$ (10,102)	\$ 2,889,972	\$ 10.77	\$ 10.73
Series B	1,019,451	(3,422)	1,016,030	10.78	10.75
Series F	302,848	(1,033)	301,815	10.91	10.87
Series X	1,224,379	(4,265)	1,220,114	10.81	10.77
Total	\$ 5,446,753	\$ (18,822)	\$ 5,427,931		

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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#### 10. FINANCIAL INSTRUMENTS

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

As at October 31,

	2013	2012
<b>Assets</b>		
Held for trading	\$ 40,140,336	\$ 2,531,153
Cash and cash equivalents	9,459,991	2,706,242
Loans and receivables	<u>3,442,052</u>	<u>229,941</u>
Total Assets	<u>\$ 53,042,379</u>	<u>\$ 5,467,336</u>
<b>Liabilities</b>		
Other financial liabilities at amortized cost	\$ 1,699,992	\$ 33,346
Held for trading	<u>366,061</u>	<u>6,059</u>
Total liabilities	<u>\$ 2,066,053</u>	<u>\$ 39,405</u>
Net Assets	<u>\$ 50,976,326</u>	<u>\$ 5,427,931</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 OCTOBER 31, 2013 AND 2012

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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 October 31, 2013, 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	Net exposure	Percentage of GAAP NA
United States Dollar	<u>\$ 10,638,644</u>	<u>\$ 1,968,507</u>	<u>\$ 12,607,151</u>	<u>24.73%</u>

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

#### 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	\$ -	\$ 795,938	\$ 39,344,398	\$ 40,140,336
Other receivables	-	-	3,442,052	3,442,052
Cash and cash equivalents	<u>9,459,991</u>	<u>-</u>	<u>-</u>	<u>9,459,991</u>
Total	<u>\$ 9,459,991</u>	<u>\$ 795,938</u>	<u>\$ 42,786,450</u>	<u>\$ 53,042,379</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 366,061	\$ 366,061
Other financial liabilities	<u>-</u>	<u>-</u>	<u>1,699,992</u>	<u>1,699,992</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,066,053</u>	<u>\$ 2,066,053</u>
GAAP NA				<u>\$ 50,976,326</u>

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

#### 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.

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Held for trading	\$ 200,000	\$ 258,688	\$ 255,608	\$ 340,330	\$ 39,085,710	\$ 40,140,336
Other receivables	3,442,052	-	-	-	-	3,442,052
Cash and cash equivalents	<u>9,459,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,459,991</u>
Total	<u>\$ 13,102,043</u>	<u>\$ 258,688</u>	<u>\$ 255,608</u>	<u>\$ 340,330</u>	<u>\$ 39,085,710</u>	<u>\$ 53,042,379</u>
Financial liabilities						
Held for trading	\$ 334,627	\$ -	\$ -	\$ -	\$ 31,434	\$ 366,061
Other financial liabilities	<u>1,699,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,699,992</u>
Total	<u>\$ 2,034,619</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,434</u>	<u>2,066,053</u>
GAAP NA						<u>\$ 50,976,326</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2013, the fair value of such assets was 2.0% (2012 – 4.5%) 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 OCTOBER 31, 2013 AND 2012

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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 October 31, 2013, the Fund has loaned securities with an aggregate fair value of \$315,437 and received collateral with an aggregate fair value of \$372,606.

As at October 31, 2013, the Fund had 1.6% (October 31, 2012 – 3.7%) 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
B-	0.7%
Not available or not rated	0.9%

#### 11. 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 2012.

The Fund does not have any externally imposed capital requirements.

## FRONT STREET GLOBAL OPPORTUNITIES CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

#### 12. FAIR VALUE HIERARCHY

The following is a summary of inputs used as of October 31, 2013 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 October 31, 2013	Level 1	Level 2	Level 3	Total
Investments, at fair value	<u>\$ 38,500,858</u>	<u>\$ 601,963</u>	<u>\$ 1,037,515</u>	<u>\$ 40,140,336</u>
Liabilities at fair value as at October 31, 2013				
Obligations from portfolio assets sold short at fair value	<u>\$ 366,061</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 366,061</u>

During the year ended October 31, 2013, 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, 2012	\$ 42,500	200,000
Purchases	606,777	246,286
Sales	-	-
Transfers out	(42,500)	-
Gains (losses)		
Realized gain	-	-
Change in unrealized gain (loss)	<u>(24,870)</u>	<u>9,322</u>
Balance as at October 31, 2013	<u>\$ 581,907</u>	<u>\$ 455,608</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.