

## **Annual Management Report of Fund Performance**

### **As at October 31, 2015**

### **Front Street Resource Growth and Income Class**

*This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Front Street Resource Growth and Income 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 Management Report of Fund Performance, readers are cautioned not to place undue reliance on such forward-looking information. By its nature, the forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts and other forward-looking statements will not occur. These factors include, but are not limited to, those associated with the performance of the equity securities market, expectations about interest rates and factors incorporated by reference herein as risk factors.

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

## **Management Discussion of Fund Performance**

### **INVESTMENT OBJECTIVES AND STRATEGIES**

The fundamental investment objective of the Fund is to provide current income and long-term capital appreciation by investing primarily in a diversified portfolio of North American resource equity and income securities, including dividend paying or distribution paying North American resource equity and income securities such as common shares, income trust units, convertible bonds, and, to a lesser extent, interest-bearing securities such as corporate bonds. The Fund may, from time to time, engage in the short-selling of securities that the Investment Advisor believes are overvalued.

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

The Fund's investment strategy entails initially investing in shares of resource issuers engaged in oil and gas or mineral exploration, development or production or energy production, including alternative energy production such as from wind, and that (i) have experienced management; (ii) have a strong exploration program in place; (iii) may require time to mature; and (iv) offer potential for future growth. It is anticipated that the resource issuers will include a significant number of junior resource issuers.

The Investment Advisor will manage the investment portfolio so as to achieve capital appreciation of the Fund's investments. This continuing investment management program may involve the divestiture of shares and other investments and the reinvestment of the net proceeds from such dispositions in securities of Resource Issuers, as well as other issuers in the oil and gas, mining, pulp and paper, and forestry industries, energy producers and related resource business issuers, such as pipeline or service companies and utilities. All investments will be made in accordance with the Fund's investment policies and restrictions described herein.

The Front Street Resource Growth and Income Class's portfolio will consist primarily of investments which generate capital gains, but will also include investments which generate income. In managing the portfolio, the Investment Advisor intends to use strategies including: investing in undervalued securities, short selling overvalued securities, managing long/short positions, pairs trading, special warrant arbitrage, merger arbitrage, convertible arbitrage and participation in restructurings.

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 other mutual funds, including funds managed by the Manager or any of its associates or affiliates. 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**

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

## RESULTS OF OPERATIONS

During the year, global economic growth was weak and crude oil prices fell sharply amid increasing supply in the face of declining demand. The U.S. dollar continued to strengthen, negatively impacting all commodity prices. Canadian producers underperformed their U.S. counterparts, as funds flowed from small-capitalization Canadian firms to the perceived safety of large-caps. The TSX Exploration and Production Index was down -48% for the year versus a drop of only -39% in the TSX Capped Energy Index, indicating the stronger relative performance of integrated companies.

For the year ended October 31, 2015, the Front Street Resource Growth and Income Class returned -36.9%.

During the year ended October 31, 2015, the Fund earned investment income of \$2.5 million from dividends, distributions from underlying funds, interest and security lending revenue. There were net realized losses on the sale of investments of \$23.5 million and an unrealized depreciation on the value of investments of \$3.3 million.

Operating expenses, excluding management fees and servicing fees, totalled \$264,204 during the period ended October 31, 2015.

The sharp decline in crude oil prices detracted from the Fund's performance, and many dividend payers sold off as the year progressed amid fears of dividend cuts. Several Energy sector holdings were significant individual detractors from the Fund's performance. Surge Energy Inc. shares were negatively impacted by falling oil prices and dividend fears, despite the company's strong asset base. RMP Energy Inc. was similarly impacted by oil prices, reporting weak financials. Private firm, Laricina Energy Ltd., ran out of funding to develop their significant oil sands assets.

During the year, the Manager added to the Fund's positions in names like Whitecap Resources Inc. and TORC Oil & Gas Ltd., as these companies are able to operate within cash flow in a low oil price environment, and are more likely to maintain both modest growth and their dividend structure. Weak emerging market growth led the Manager to sell out of the Fund's base metals and bulk commodities holdings.

## RECENT DEVELOPMENTS

The Manager expects a slight oil recovery in 2016 as lower capital investment eventually impacts supply, while demand continues to increase. Accordingly, the Fund will continue to be overweight in this area. In the coming period, the Fund's forestry exposure is expected to benefit from the recovering U.S. housing market. The Manager will limit the Fund's exposure to natural gas, as inventories are at an all-time high and supply continues to increase. The Manager will also limit the Fund's exposure to base metals until there are signs of further global economic growth.

The Manager will be monitoring the outcome of the upcoming December 2015 meeting of the Organization of the Petroleum Exporting Countries (OPEC). The U.S. Federal Reserve Board is also expected to raise interest rates in the near term, and as such, the Manager continues to keep a close eye on the timing and trajectory of those rate hikes.

### **Adoption of International Financial Reporting Standards ("IFRS") in 2015**

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

The Fund has adopted IFRS effective November 1, 2014. IFRS 1 – First-time Adoption of International Financial Reporting Standards, requires first-time adopters to apply IFRS retrospectively as if IFRS had been in effect from the date of the Fund's transition. Accordingly, an opening IFRS statement of financial position as at November 1, 2013 has been prepared and the comparative information for the year ended October 31, 2014 has been restated based on IFRS. The Fund has consistently applied the same accounting policies throughout all periods presented.

Prior to the adoption of IFRS, the Fund presented its financial statements in accordance with previous Canadian Generally Accepted Accounting Principles ("previous CGAAP"). The impact of transition from previous CGAAP to IFRS on the Fund's reported financial position, financial performance and cash flows is disclosed in Notes to the annual financial statements.

## RELATED-PARTY TRANSACTIONS

During the years ended October 31, 2015 and 2014, fees paid to the Manager were as follows:

	2015	2014
Management fees	<u>\$ 826,048</u>	<u>\$ 1,478,676</u>
Servicing fees	<u>\$ 491,161</u>	<u>\$ 845,957</u>
Operating costs	<u>\$ 29,143</u>	<u>\$ 55,023</u>

Management fees payable and other payables included in accrued expenses were as follows:

	October 31, 2015	October 31, 2014	November 1, 2013
Management fees payable	<u>\$ 54,206</u>	<u>\$ 101,015</u>	<u>\$ 102,244</u>
Servicing fees payable	\$ 30,855	\$ 57,450	\$ 57,365
Operating costs payable	<u>-</u>	<u>11,133</u>	<u>10,129</u>
	<u>\$ 30,855</u>	<u>\$ 68,583</u>	<u>\$ 67,494</u>

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

	October 31, 2015	October 31, 2014	November 1, 2013
Series B shares held by the Partners of the Manager	29,329.46	16,233.40	15,525.36
Percentage of Series B shares held by the Partners of the Manager	0.18%	0.15%	0.16%
Series F shares held by the relatives of the Partners of the Manager	-	903.33	872.82
Percentage of Series F shares held by the relatives of the Partners of the Manager	Nil%	0.43%	0.50%
Series L shares held by the Partners of the Manager	336,618.82	227,602.85	220,813.87
Percentage of Series L shares held by the Partners of the Manager	17.55%	13.86%	10.59%
Series L shares held by the relatives of the Partners of the Manager	138,892.31	84,819.65	82,289.63
Percentage of Series L shares held by the relatives of the Partners of the Manager	7.24%	5.16%	3.95%

As at October 31, 2015, the Fund held 84,264 shares (2014 - \$Nil), representing 1.6% (2014 - Nil%) of the net assets, in Front Street MLP and Infrastructure Income Class which is also managed by the Manager.

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, 2015, Tuscarora Capital Inc., a company under common control to the Manager, received \$7,165 (2014 - \$2,700) in commissions on portfolio transactions for the Fund.

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

## FINANCIAL HIGHLIGHTS

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

### Series A

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

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
<b>Net Assets, beginning of the year</b>	5.92	6.46	8.19	10.76	12.68
<b>Increase (decrease) from operations:</b>					
Total revenue	0.16	0.30	0.22	0.02	0.03
Total expenses	(0.13)	(0.26)	(0.20)	(0.26)	(0.64)
Realized gains (losses) for the year	(1.41)	0.43	(3.12)	(2.81)	1.71
Unrealized gains (losses) for the year	(0.17)	(0.79)	1.31	0.43	(3.20)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.55)</b>	<b>(0.32)</b>	<b>(1.79)</b>	<b>(2.62)</b>	<b>(2.10)</b>
<b>Distributions to redeemable Shareholders:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	(1.41)	(0.21)	—	—	—
Return of capital	(0.88)	(0.04)	(0.06)	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	<b>(2.29)</b>	<b>(0.25)</b>	<b>(0.06)</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the year</b>	<b>2.57</b>	<b>5.92</b>	<b>6.44</b>	<b>8.19</b>	<b>10.76</b>

- (1) The information for October 31, 2015 and 2014 is derived from the Fund's audited annual financial statements and is prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of redeemable shares outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional redeemable shares of the Fund or both.

#### Ratios and Supplemental Data

Total net asset value (000's) <sup>(1)</sup>	\$1,065	\$1,735	\$1,790	\$2,752	\$3,842
Number of redeemable shares outstanding <sup>(1)</sup>	414,495	293,332	277,254	334,969	357,157
Management expense ratio <sup>(2)</sup>	3.08%	3.18%	2.97%	2.85%	4.92%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	3.10%	3.18%	2.97%	2.85%	4.92%
Trading expense ratio <sup>(3)</sup>	0.66%	0.46%	0.74%	0.50%	0.50%
Portfolio turnover rate <sup>(4)</sup>	144.62%	139.91%	170.06%	104.60%	121.62%
Net asset value per redeemable share <sup>(5)</sup>	\$2.57	\$5.92	\$6.45	\$8.22	\$10.76

- (1) This information is provided as at end of the year shown.
- (2) Management expense ratio (MER) 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 can waive certain fees or absorb certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.  
  
The Fund holds investments in other investment funds ("Underlying Funds") and the MER is calculated taking into consideration the expenses of the Fund allocated to the series including expenses indirectly attributable to its investment in the Underlying Funds divided by the average daily net asset value of the series of the Fund during the year.
- (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.
- (5) The information for October 31, 2015 and 2014 is derived from the Fund's audited annual financial statements prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

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

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
<b>Net Assets, beginning of the year</b>	5.58	6.11	7.74	10.17	11.96
<b>Increase (decrease) from operations:</b>					
Total revenue	0.13	0.28	0.21	0.02	0.02
Total expenses	(0.10)	(0.24)	(0.19)	(0.24)	(0.59)
Realized gains (losses) for the year	(1.19)	0.41	(2.82)	(2.67)	1.74
Unrealized gains (losses) for the year	(0.16)	(0.54)	0.94	0.01	(3.23)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.32)</b>	<b>(0.09)</b>	<b>(1.86)</b>	<b>(2.88)</b>	<b>(2.06)</b>
<b>Distributions to redeemable Shareholders:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	(1.80)	(0.21)	—	—	—
Return of capital	(0.88)	(0.04)	(0.06)	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	<b>(2.68)</b>	<b>(0.25)</b>	<b>(0.06)</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the year</b>	<b>2.05</b>	<b>5.58</b>	<b>6.09</b>	<b>7.74</b>	<b>10.17</b>

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- (2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of redeemable shares outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional redeemable shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	\$33,225	\$58,480	\$59,908	\$76,980	\$92,186
Number of redeemable shares outstanding <sup>(1)</sup>	16,187,254	10,485,814	9,821,572	9,909,609	9,067,021
Management expense ratio <sup>(2)</sup>	3.08%	3.18%	2.95%	2.82%	4.73%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	3.10%	3.18%	2.95%	2.82%	4.73%
Trading expense ratio <sup>(3)</sup>	0.66%	0.46%	0.74%	0.50%	0.50%
Portfolio turnover rate <sup>(4)</sup>	144.62%	139.91%	170.06%	104.60%	121.62%
Net asset value per redeemable share <sup>(5)</sup>	\$2.05	\$5.58	\$6.10	\$7.77	\$10.17

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

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$
<b>Net Assets, beginning of the year</b>	5.69	6.16	7.74	10.07	11.75
<b>Increase (decrease) from operations:</b>					
Total revenue	0.14	0.29	0.21	0.02	0.02
Total expenses	(0.08)	(0.18)	(0.13)	(0.16)	(0.45)
Realized gains (losses) for the year	(1.24)	0.44	(2.77)	(2.61)	1.25
Unrealized gains (losses) for the year	(0.20)	(0.88)	1.29	0.70	(3.26)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.38)</b>	<b>(0.33)</b>	<b>(1.40)</b>	<b>(2.05)</b>	<b>(2.44)</b>
<b>Distributions to redeemable Shareholders:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	(1.78)	(0.21)	—	—	—
Return of capital	(0.88)	(0.04)	(0.06)	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	<b>(2.66)</b>	<b>(0.25)</b>	<b>(0.06)</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the year</b>	<b>2.16</b>	<b>5.69</b>	<b>6.14</b>	<b>7.74</b>	<b>10.07</b>

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**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	\$671	\$1,182	\$1,067	\$1,093	\$1,637
Number of redeemable shares outstanding <sup>(1)</sup>	310,452	207,776	173,271	140,741	162,639
Management expense ratio <sup>(2)</sup>	2.08%	2.23%	2.00%	1.89%	3.81%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	2.10%	2.23%	2.00%	1.89%	3.81%
Trading expense ratio <sup>(3)</sup>	0.66%	0.46%	0.74%	0.50%	0.50%
Portfolio turnover rate <sup>(4)</sup>	144.62%	139.91%	170.06%	104.60%	121.62%
Net asset value per redeemable share <sup>(5)</sup>	\$2.16	\$5.69	\$6.16	\$7.76	\$10.07

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

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	October 31 2012 \$	For the period from amalgamation on February 28, 2011 to October 31 2011 \$
<b>Net Assets, beginning of the year</b>	6.47	6.98	8.74	11.49	15.94*
<b>Increase (decrease) from operations:</b>					
Total revenue	0.16	0.33	0.23	0.03	0.02
Total expenses	(0.09)	(0.20)	(0.14)	(0.28)	(0.30)
Realized gains (losses) for the year	(1.48)	0.49	(3.46)	(2.97)	—
Unrealized gains (losses) for the year	(0.25)	(0.74)	1.47	0.30	(4.27)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.66)</b>	<b>(0.12)</b>	<b>(1.90)</b>	<b>(2.92)</b>	<b>(4.55)</b>
<b>Distributions to redeemable Shareholders:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	(1.97)	(0.21)	—	—	—
Return of capital	(0.88)	(0.04)	(0.06)	—	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	<b>(2.85)</b>	<b>(0.25)</b>	<b>(0.06)</b>	<b>—</b>	<b>—</b>
<b>Net Assets, end of the year</b>	<b>2.52</b>	<b>6.47</b>	<b>6.96</b>	<b>8.74</b>	<b>11.49</b>

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

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	\$4,830	\$10,631	\$14,527	\$26,380	\$46,939
Number of redeemable shares outstanding <sup>(1)</sup>	1,918,244	1,642,517	2,084,273	3,007,667	4,088,336
Management expense ratio <sup>(2)</sup>	2.09%	2.16%	1.89%	2.86%	3.40%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	2.11%	2.16%	1.89%	2.86%	3.40%
Trading expense ratio <sup>(3)</sup>	0.66%	0.46%	0.74%	0.50%	0.50%
Portfolio turnover rate <sup>(4)</sup>	144.62%	139.91%	170.06%	104.60%	121.62%
Net asset value per redeemable share <sup>(5)</sup>	\$2.52	\$6.47	\$6.97	\$8.77	\$11.48

- (1) This information is provided as at end of the year shown.
- (2) Management expense ratio (MER) 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 can waive certain fees or absorb certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- The Fund holds investments in other investment funds ("Underlying Funds") and the MER is calculated taking into consideration the expenses of the Fund allocated to the series including expenses indirectly attributable to its investment in the Underlying Funds divided by the average daily net asset value of the series of the Fund during the year.
- (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.
- (5) The information for October 31, 2015 and 2014 is derived from the Fund's audited annual financial statements prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

\* Initial price

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

	October 31 2015 \$	October 31 2014 \$	October 31 2013 \$	For the period from from commencement of operations on January 26, 2012 to October 31, 2012 \$
<b>Net Assets, beginning of the year</b>	6.02	6.53	8.24	10.55*
<b>Increase (decrease) from operations:</b>				
Total revenue	0.16	0.31	0.22	0.02
Total expenses	(0.11)	(0.22)	(0.17)	(0.14)
Realized gains (losses) for the year	(1.41)	0.45	(3.03)	(2.32)
Unrealized gains (losses) for the year	(0.20)	(0.83)	1.32	0.12
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(1.56)</b>	<b>(0.29)</b>	<b>(1.66)</b>	<b>(2.32)</b>
<b>Distributions to redeemable Shareholders:</b>				
From income (excluding dividends)	—	—	—	—
From dividends	—	—	—	—
From capital gains	(1.57)	(0.21)	—	—
Return of capital	(0.88)	(0.04)	(0.06)	—
<b>Total distributions to redeemable Shareholders <sup>(3)</sup></b>	<b>(2.45)</b>	<b>(0.25)</b>	<b>(0.06)</b>	<b>—</b>
<b>Net Assets, end of the year</b>	<b>2.53</b>	<b>6.02</b>	<b>6.51</b>	<b>8.24</b>

- (1) The information for October 31, 2015 and 2014 is derived from the Fund's audited annual financial statements and is prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.
- (2) Net assets and distributions are based on the actual number of redeemable shares outstanding at the relevant time. The increase (decrease) from operations is based on the average number of redeemable shares outstanding over the financial year.
- (3) Distributions were paid in cash/reinvested in additional redeemable shares of the Fund or both.

**Ratios and Supplemental Data**

Total net asset value (000's) <sup>(1)</sup>	\$4	\$6	\$6	\$8
Number of redeemable shares outstanding <sup>(1)</sup>	1,479	978	947	947
Management expense ratio <sup>(2)</sup>	2.55%	2.65%	2.47%	2.05%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	2.57%	2.65%	2.47%	2.05%
Trading expense ratio <sup>(3)</sup>	0.66%	0.46%	0.74%	0.50%
Portfolio turnover rate <sup>(4)</sup>	144.62%	139.91%	170.06%	104.60%
Net asset value per redeemable share <sup>(5)</sup>	2.53	6.02	6.52	8.26

- (1) This information is provided as at end of the year shown.
- (2) Management expense ratio (MER) 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 can waive certain fees or absorb certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is at the discretion of the manager.
- The Fund holds investments in other investment funds ("Underlying Funds") and the MER is calculated taking into consideration the expenses of the Fund allocated to the series including expenses indirectly attributable to its investment in the Underlying Funds divided by the average daily net asset value of the series of the Fund during the year.
- (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.
- (5) The information for October 31, 2015 and 2014 is derived from the Fund's audited annual financial statements prepared in accordance with IFRS. The information prior to 2014 is derived from the Fund's audited annual financial statements prepared based on Canadian GAAP. An explanation of the effect of the Fund's transition to IFRS can be found in the notes to the financial statements.

\* Initial price

## MANAGEMENT & PERFORMANCE FEES

The Fund pays a monthly management fee equal to 1/12 of 1.5 % of the net asset value of Series A, Series B, Series F, and Series X shares and 1/12 of 1.1% of the net asset value of Series L shares of the Fund calculated and paid at the end of each month in arrears from each Fund series.

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

There are no performance fees payable by this Fund.

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

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as the establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support. The Manager stopped charging such fees August 2015.

## DEALER COMPENSATION

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

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

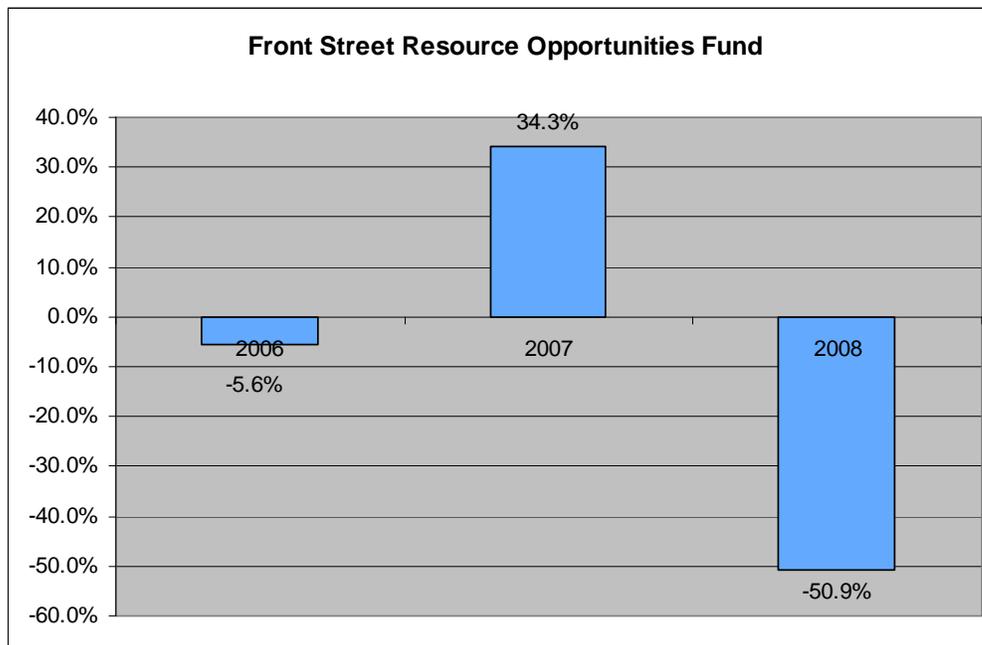
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
L	0.40%	\$4.00
X	0.50%	\$5.00

## PAST PERFORMANCE

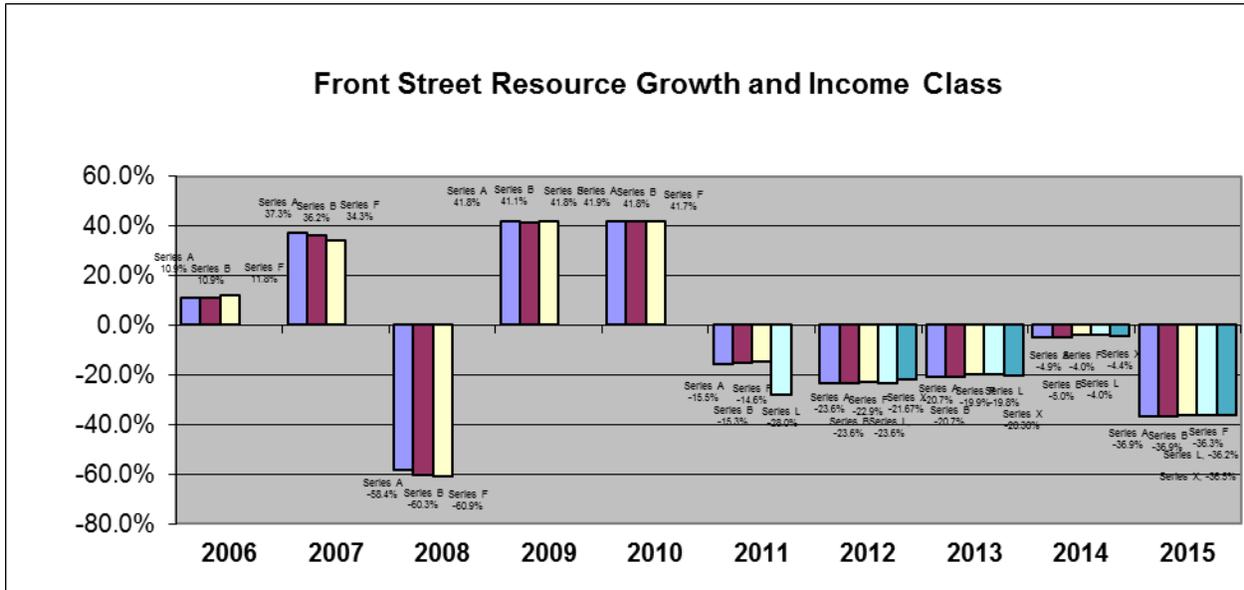
The past performance of the Fund is set out below and includes year-by-year returns.

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

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



The above chart is the year-by year returns for Front Street Resource Opportunities Fund, a class of Front Street Opportunity Funds Ltd. The Fund was merged with the continuing Fund being Front Street Resource Fund on November 1, 2008.



The above chart is the year-by year returns for Front Street Resource Growth and Income Class, a class of Front Street Mutual Funds Ltd. The Fund was merged with Front Street Resource Opportunities Fund on November 1, 2008 and fund performance for the discontinued fund has not been included in the chart above in the 2008 period. The Fund also merged with Front Street Resource Performance Fund Ltd. on February 28, 2011 and Series L commenced operations.

## ANNUAL COMPOUND RETURNS

The following table shows the Fund's historical annual compound total return for the past five, three, one financial year periods and since inception, as at October 31, 2015 and as compared to the performance of the S&P/TSX Composite Index.

Front Street Resource Growth and Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation November 1, 2008	Since inception on June 22, 2006
Series A	-21.02%	-21.92%	-36.86%	-6.64%	-9.49%
Series B	-20.99%	-21.94%	-36.89%	-6.69%	-10.03%
S&P/TSX Composite Index	1.31%	2.88%	-7.42%	4.77%	1.51%

Front Street Resource Growth and Income Class	Past 5 years	Past 3 years	Past 1 year	Since amalgamation November 1, 2008	Since inception on July 13, 2006
Series F	-20.25%	-21.17%	-36.25%	-6.01%	-9.84%
S&P/TSX Composite Index	1.31%	2.88%	-7.42%	4.77%	1.65%

The above annual compound returns are for Front Street Resource Growth and Income Class and does not include the returns or performance of the Front Street Resource Opportunities Fund which merged with the continuing Fund being Front Street Resource Fund on November 1, 2008.

Front Street Resource Growth and Income Class	Past 3 years	Past 1 year	Since inception/amalgamation on February 28, 2011
Series L	-21.12%	-36.24%	-24.26%
S&P/TSX Composite Index	2.88%	-7.42%	-0.94%

Front Street Resource Growth and Income Class	Past 3 year	Past 1 year	Since inception on January 26, 2012
Series X	-21.52%	-36.54%	-23.17%
S&P/TSX Composite Index	2.88%	-7.42%	3.28%

The S&P/TSX Composite Index is a capitalization-weighted index designed to measure market activity of stocks listed on the TSX.

## Summary of Investment Portfolio as at October 31, 2015

### Portfolio by Category

	Percentage of Net Asset Value
<b>LONG POSITIONS</b>	
Energy	59.8%
Materials	15.1%
Corporate Bonds	14.8%
Industrials	5.2%
Mutual Funds	1.6%
Cash & cash equivalents	1.3%
Other assets in excess of other liabilities	2.2%
	100.0%

### Top 25 Holdings

	Percentage of Net Asset Value
<b>LONG POSITIONS</b>	
Vermilion Energy Inc.	6.8%
Whitecap Resources Inc.	6.8%
Torc Oil & Gas Limited	6.4%
Cardinal Energy Limited	5.5%
Prairiesky Royalty Limited	2.8%
Surge Energy Inc.	2.7%
Canwell Building Materials Group Limited	2.7%
Alliance Grain Traders Inc.*	2.7%
Nevsun Resources Limited	2.6%
Raging River Exploration Inc.	2.6%
Badger Daylighting Inc.	2.5%
Birchcliff Energy Limited Series C	2.4%
ARC Resources Limited	2.2%
EnLink Midstream Partners Limited	1.9%
RMP Energy Inc.	1.9%
Detour Gold Corporation	1.8%
Seven Generations Energy Limited	1.8%
Western Forest Products Inc.	1.7%
Nova Chemicals Corporation *	1.7%
Ineos Group Holdings *	1.6%
Canfor Corporation	1.6%
Newmarket Gold Inc.	1.6%
Front Street MLP & Infrastructure Income Class, Series I	1.6%
Husky Energy Inc.	1.5%
Baytex Energy Corporation*	1.5%
	68.9%
<b>TOTAL NET ASSET VALUE ('000s)</b>	<b>\$39,795</b>

\*Debt Instrument

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

**FRONT STREET RESOURCE GROWTH AND INCOME CLASS**  
**FINANCIAL STATEMENTS**  
**OCTOBER 31, 2015 AND 2014**

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## MANAGEMENT REPORT

### Management's Responsibility for Financial Reporting

The accompanying financial statements of Front Street Resource Growth and Income 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 International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies, which the Manager believes are appropriate for the Fund, are described in note 3 to the financial statements.

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

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

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



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Gary P. Selke  
Management Committee Member  
Front Street Capital 2004



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Normand G. Lamarche  
Management Committee Member  
Front Street Capital 2004

Toronto, Ontario  
January 25, 2016

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders  
of Front Street Resource Growth and Income Class (the "Fund") of  
Front Street Mutual Funds Limited**

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

We have audited the accompanying financial statements of Front Street Resource Growth and Income Class which comprise the statements of financial position as at October 31, 2015, October 31, 2014 and November 1, 2013, the statements of comprehensive income, statements of changes in net assets attributable to shareholders of redeemable shares, and statements of cash flows for the years ended October 31, 2015 and October 31, 2014, and a summary of significant accounting policies and other explanatory information.

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

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

### **Auditor's Responsibility**

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

Independent Auditor's Report  
Page 2

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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Front Street Resource Growth and Income Class as at October 31, 2015, October 31, 2014 and November 1, 2013 and its financial performance and its cash flows for the years ended October 31, 2015 and October 31, 2014 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Ontario  
January 25, 2016

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF FINANCIAL POSITION

AS AT OCTOBER 31, 2015, OCTOBER 31, 2014 AND NOVEMBER 1, 2013

	October 31, 2015	October 31, 2014 (Note 15)	November 1, 2013 (Note 15)
<b>ASSETS</b>			
<b>Current</b>			
Financial assets at fair value through profit or loss *	\$ 38,430,367	\$ 70,398,203	\$ 77,603,760
Receivables for investments sold	1,352,216	2,407,680	399,534
Cash and cash equivalents	500,130	2,510,377	-
Interest and other receivables	111,970	107,312	173,218
Dividends receivable	101,557	220,948	191,419
Subscriptions receivable	<u>200</u>	<u>5,200</u>	<u>254,110</u>
	<u>\$ 40,496,440</u>	<u>\$ 75,649,720</u>	<u>\$ 78,622,041</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Payables for investments purchased	\$ 269,393	\$ 2,079,892	\$ -
Redemptions payable	208,102	190,430	343,265
Accrued expenses, note 9	145,974	220,171	217,584
Management fees payable, note 9	54,206	101,015	102,244
Dividends payable	7,050	3,225	-
Distributions payable	4,101	9,661	246,549
Financial liabilities at fair value through profit or loss *	-	1,012,095	-
Bank indebtedness	<u>-</u>	<u>-</u>	<u>344,993</u>
<b>Liabilities before net assets attributable to shareholders of redeemable shares</b>	<u>688,826</u>	<u>3,616,489</u>	<u>1,254,635</u>
<b>Net assets attributable to shareholders of redeemable shares</b>	<u>\$ 39,807,614</u>	<u>\$ 72,033,231</u>	<u>\$ 77,367,406</u>

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

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF FINANCIAL POSITION

AS AT OCTOBER 31, 2015, OCTOBER 31, 2014 AND NOVEMBER 1, 2013

	October 31, 2015	October 31, 2014 (Note 15)	November 1, 2013 (Note 15)
<b>Net assets attributable to shareholders of redeemable shares</b>			
Series A	\$ 1,065,609	\$ 1,735,479	\$ 1,791,178
Series B	\$ 33,235,222	\$ 58,479,577	\$ 59,962,005
Series F	\$ 671,394	\$ 1,181,659	\$ 1,067,545
Series L	\$ 4,831,652	\$ 10,630,631	\$ 14,540,495
Series X	\$ 3,737	\$ 5,885	\$ 6,183
<b>Number of redeemable shares outstanding, note 5</b>			
Series A	414,495	293,332	277,254
Series B	16,187,254	10,485,814	9,821,572
Series F	310,452	207,776	173,271
Series L	1,918,244	1,642,517	2,084,273
Series X	1,479	978	947
<b>Net assets attributable to shareholders of redeemable shares per share</b>			
Series A	\$ 2.57	\$ 5.92	\$ 6.46
Series B	\$ 2.05	\$ 5.58	\$ 6.11
Series F	\$ 2.16	\$ 5.69	\$ 6.16
Series L	\$ 2.52	\$ 6.47	\$ 6.98
Series X	\$ 2.53	\$ 6.02	\$ 6.53

Approved on behalf of 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 RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014 (Note 15)
<b>Investment income</b>		
Dividends	\$ 1,999,165	\$ 3,444,993
Interest income for distribution purposes and other	527,854	619,692
Distributions from underlying funds	37,492	-
Security lending revenue, note 10	16,606	24,289
Foreign currency gain (loss) on cash and other assets	(91,601)	15,904
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss ("FVTPL")		
Net realized gain (loss) on financial assets and liabilities at FVTPL	(23,456,650)	5,951,819
Change in unrealized depreciation on financial assets and liabilities at FVTPL	<u>(3,290,116)</u>	<u>(8,145,676)</u>
	<u>(24,257,250)</u>	<u>1,911,021</u>
<b>Expenses</b>		
Management fees, notes 6 and 9	826,048	1,478,676
Servicing fees, notes 6 and 9	491,161	845,957
Transaction costs, notes 8 and 9	357,571	435,164
Administration fees	144,292	314,196
Legal fees	41,704	56,140
Withholding taxes	39,034	87,457
Audit fees	35,980	54,998
Operating costs, notes 6 and 9	29,143	55,023
Compensatory dividends	9,831	3,225
Securityholder reporting costs	7,748	33,796
Independent review committee	<u>5,337</u>	<u>6,719</u>
	<u>1,987,849</u>	<u>3,371,351</u>
<b>Decrease in net assets attributable to shareholders of redeemable shares from operations</b>	<u>\$ (26,245,099)</u>	<u>\$ (1,460,330)</u>

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

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	2015	2014 (Note 15)
<b>Decrease in net assets attributable to shareholders of redeemable shares from operations</b>		
Series A	\$ (635,064)	\$ (85,216)
Series B	\$ (21,817,491)	\$ (1,087,053)
Series F	\$ (382,977)	\$ (65,110)
Series L	\$ (3,407,419)	\$ (222,672)
Series X	\$ (2,148)	\$ (279)
<b>Decrease in net assets attributable to shareholders of redeemable shares from operations per share</b>		
Series A	\$ (1.55)	\$ (0.32)
Series B	\$ (1.32)	\$ (0.09)
Series F	\$ (1.38)	\$ (0.33)
Series L	\$ (1.66)	\$ (0.12)
Series X	\$ (1.56)	\$ (0.29)

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014 (Note 15)
<b>Net assets attributable to shareholders of redeemable shares, beginning of year</b>		
Series A	\$ 1,735,479	\$ 1,791,178
Series B	58,479,577	59,962,005
Series F	1,181,659	1,067,545
Series L	10,630,631	14,540,495
Series X	<u>5,885</u>	<u>6,183</u>
	<u>72,033,231</u>	<u>77,367,406</u>
<b>Decrease in net assets attributable to shareholders of redeemable shares from operations</b>		
Series A	(635,064)	(85,216)
Series B	(21,817,491)	(1,087,053)
Series F	(382,977)	(65,110)
Series L	(3,407,419)	(222,672)
Series X	<u>(2,148)</u>	<u>(279)</u>
	<u>(26,245,099)</u>	<u>(1,460,330)</u>
<b>Redeemable share transactions</b>		
Proceeds from redeemable shares issued		
Series A	429,316	478,743
Series B	24,060,872	64,028,477
Series F	554,779	622,071
Series L	-	-
Series X	<u>-</u>	<u>-</u>
	<u>25,044,967</u>	<u>65,129,291</u>
Reinvestment of distributions to shareholders of redeemable shares		
Series A	350,153	57,684
Series B	18,779,293	2,934,837
Series F	278,015	43,398
Series L	3,251,464	441,089
Series X	<u>1,669</u>	<u>220</u>
	<u>22,660,594</u>	<u>3,477,228</u>
Redemption of redeemable shares		
Series A	(350,435)	(439,903)
Series B	(26,848,381)	(64,392,496)
Series F	(635,386)	(437,061)
Series L	(2,360,921)	(3,684,161)
Series X	<u>-</u>	<u>-</u>
	<u>(30,195,123)</u>	<u>(68,953,621)</u>
<b>Net increase (decrease) from redeemable share transactions</b>	<u>17,510,438</u>	<u>(347,102)</u>

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015	2014 (Note 15)
<b>Distributions to shareholders of redeemable shares</b>		
Capital gains		
Series A	(425,838)	(61,581)
Series B	(17,889,001)	(2,783,217)
Series F	(299,036)	(45,690)
Series L	(3,097,110)	(405,766)
Series X	(1,541)	(220)
	<u>(21,712,526)</u>	<u>(3,296,474)</u>
Return of capital		
Series A	(38,002)	(5,426)
Series B	(1,529,647)	(182,976)
Series F	(25,660)	(3,494)
Series L	(184,993)	(38,354)
Series X	(128)	(19)
	<u>(1,778,430)</u>	<u>(230,269)</u>
<b>Decrease in net assets attributable to shareholders of redeemable shares</b>	<u>(32,225,617)</u>	<u>(5,334,175)</u>
<b>Net assets attributable to shareholders of redeemable shares, end of year</b>		
Series A	1,065,609	1,735,479
Series B	33,235,222	58,479,577
Series F	671,394	1,181,659
Series L	4,831,652	10,630,631
Series X	3,737	5,885
	<u>39,807,614</u>	<u>72,033,231</u>
Total	<u>\$ 39,807,614</u>	<u>\$ 72,033,231</u>

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED OCTOBER 31, 2015 AND 2014

	2015 (Note 15)	2014 (Note 15)
<b>Cash flows from operating activities</b>		
Decrease in net assets attributable to shareholders of redeemable shares from operations	\$(26,245,099)	\$ (1,460,330)
Adjustments for:		
Foreign currency gain (loss) on cash and other assets	91,601	(15,904)
Net realized gain (loss) on financial assets and liabilities at FVTPL	23,456,650	(5,951,818)
Change in unrealized depreciation on financial assets and liabilities at FVTPL	3,290,116	8,145,676
Non-cash distributions from underlying funds	(37,492)	-
Decrease (increase) in dividends receivable	119,391	(29,529)
Decrease (increase) in interest and other receivable	(4,658)	65,906
Increase (decrease) in accrued expenses and other liabilities	(117,181)	4,583
Purchases of financial assets and liabilities at FVTPL	(57,892,408)	(114,804,993)
Proceeds from sales of financial assets and liabilities at FVTPL	<u>61,383,840</u>	<u>120,900,533</u>
<b>Net cash generated by operating activities</b>	<u>4,044,760</u>	<u>6,854,124</u>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable shares issued	25,049,967	65,378,201
Amounts paid on redemption of redeemable shares	(30,177,451)	(69,106,456)
Distributions to shareholders of redeemable shares, net of reinvestment	<u>(835,922)</u>	<u>(286,403)</u>
<b>Net cash used by financing activities</b>	<u>(5,963,406)</u>	<u>(4,014,658)</u>
Net increase (decrease) in cash and cash equivalents	(1,918,646)	2,839,466
Foreign currency gain on cash and other net assets	(91,601)	15,904
Cash and cash equivalents (bank indebtedness), beginning of year	<u>2,510,377</u>	<u>(344,993)</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 500,130</u>	<u>\$ 2,510,377</u>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	<u>\$ 500,130</u>	<u>\$ 2,510,377</u>
Interest received, net of withholding tax	\$ 508,094	\$ 628,599
Dividends received, net of withholding tax	\$ 2,094,624	\$ 3,385,006
Compensatory dividends paid	\$ (9,831)	\$ (3,225)

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### SCHEDULE OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
<b>Long positions (96.5%)</b>			
<b>Corporate Bonds (14.8%)</b>			
Alliance Grain Traders Inc. 9.000%, February 14, 2018	1,000,000	\$ 1,017,500	\$ 1,055,439
Baytex Energy Corporation 6.750%, February 17, 2021	500,000	533,574	595,207
Enbridge Energy Partners 8.050%, October 1, 2037	500,000	593,796	583,702
Ineos Group Holdings SA 6.125%, August 15, 2018	500,000	553,198	655,480
Linn Energy LLC Finance Corporation 7.750%, February 1, 2021	500,000	526,505	151,582
MEG Energy Corporation 6.500%, March 15, 2021	250,000	264,724	292,861
Newalta Corporation 7.750%, November 14, 2019	500,000	534,375	502,405
Nova Chemicals Corporation 5.250%, August 1, 2023	500,000	518,168	668,901
Sherritt International Corporation 8.000%, November 15, 2018	175,110	176,581	109,006
Terrace Energy Corporation Convertible Note, April 2, 2018	1,000,000	1,000,000	550,000
Wajax Corporation 6.125%, October 23, 2020	250,000	250,000	249,063
Western Energy Services 7.875%, January 30, 2019	500,000	<u>507,500</u>	<u>481,000</u>
		<u>\$ 6,475,921</u>	<u>\$ 5,894,646</u>
<b>Energy (59.8%)</b>			
Andora Energy Corporation	332,107	\$ 895,998	\$ 132,843
ARC Resources Limited	45,000	1,199,709	867,600
Birchcliff Energy Limited Services C 7% Preferred	42,400	1,060,000	964,812
Canadian Natural Resources Limited	70,100	505,983	396,065
Cardinal Energy Limited	212,400	2,561,280	2,196,216
EnLink Midstream Partners Limited	33,578	838,489	757,706
Fission Uranium Corporation	355,642	510,177	213,385
Gibson Energy Inc.	28,900	771,288	503,727
Granite Oil Corporation	62,393	506,236	464,828
Husky Energy Inc.	34,900	931,983	616,683
Inter Pipeline Limited	20,000	708,263	490,000
Nexgen Energy Limited	487,900	371,442	356,167
Northern Tier Energy Limited	13,900	446,685	488,038
Oil Reserve Inc.	2,666,667	800,000	200,000
Oilsands Quest Inc.	136,000	159,180	-
Parex Resources Inc.	41,500	381,800	407,530
Pembina Pipeline Corporation	15,000	673,582	493,050

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### SCHEDULE OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
<b>Energy (59.8%) (Continued...)</b>			
Petro-Victory Energy Corporation, Warrants	319,700	-	-
Pine Cliff Energy Limited	348,700	400,552	380,083
Prairiesky Royalty Limited	42,800	1,487,382	1,101,244
Raging River Exploration Inc.	123,700	1,079,460	1,026,710
RMP Energy Inc.	412,700	2,085,880	738,733
Secure Energy Services Inc.	40,000	586,000	347,600
Seven Generations Energy Limited	50,000	750,611	696,500
Spartan Energy Corporation	170,333	493,966	407,096
Striker Exploration Corporation, Warrants	1,260,550	-	1
Surge Energy Inc.	365,300	1,948,149	1,073,982
Torc Oil & Gas Limited	386,330	4,002,572	2,561,368
Transglobe Energy Corporation	142,200	733,890	506,232
Vermilion Energy Inc.	59,000	3,116,662	2,714,591
Virginia Hills Oil Corporation, Warrants	129,138	-	10,933
Whitecap Resources Inc.	232,595	<u>2,490,049</u>	<u>2,700,428</u>
		<u>\$ 32,497,268</u>	<u>\$ 23,814,151</u>
<b>Industrials (5.2%)</b>			
Badger Daylighting Inc.	49,200	\$ 1,393,785	\$ 1,007,616
Canwell Building Materials Group Limited	200,000	<u>1,000,000</u>	<u>1,058,400</u>
		<u>\$ 2,393,785</u>	<u>\$ 2,066,016</u>

See accompanying notes to the financial statements

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### SCHEDULE OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2015

	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
<b>Materials (15.1%)</b>			
Barsele Minerals Corporation, Warrants	1,200,000	\$ -	\$ 1
Canfor Corporation	35,400	922,965	654,900
CopperBank Resources Corporation, Warrants	825,000	4,125	4,125
Detour Gold Corporation	50,000	729,000	727,000
East Asia Minerals Corporation, Warrants	1,913,745	-	2
Explor Resources Inc., Warrants	1,363,636	-	1
First Quantum Minerals Limited	55,580	397,684	387,948
Goldcorp Inc.	24,600	465,566	411,558
Labrador Iron Mines Holdings Limited, Warrants	771,950	74,544	-
Mincore Inc.	3,583,213	1,145,803	35,832
Nevsun Resources Limited	268,960	1,163,361	1,051,634
Newmarket Gold Inc.	380,000	475,000	634,600
Orex Minerals Inc., Warrants	1,200,000	-	1
Royal Nickel Corporation, Warrants	274,300	10,972	5,486
SEMAFO Inc.	139,900	471,112	415,503
Sphinx Resources Limited, Warrants	55,558	-	-
Tahoe Resources Inc.	50,000	646,899	546,000
Veris Gold Corporation	673,000	6,730	6,730
Veris Gold Corporation, Warrants	636,500	-	1
West Fraser Timber Company Limited	10,000	417,557	462,700
Western Forest Products Inc.	354,000	<u>797,559</u>	<u>683,220</u>
		<u>\$ 7,728,877</u>	<u>\$ 6,027,242</u>
<b>Mutual Funds (1.6%)</b>			
Front Street MLP and Infrastructure Income Class Series I	84,264	<u>\$ 837,491</u>	<u>\$ 628,312</u>
<b>Total Long Positions (96.5%)</b>		<u>\$ 49,933,342</u>	<u>\$ 38,430,367</u>
<b>Transaction costs, note 3</b>		<u>\$ (69,641)</u>	-
<b>Total Investments (96.5%)</b>		<u>\$ 49,863,701</u>	38,430,367
<b>Cash and cash equivalents (1.3%)</b>			500,130
<b>Other assets in excess of other liabilities (2.2%)</b>			<u>877,117</u>
<b>Net assets (100.0%)</b>			<u>\$ 39,807,614</u>

See accompanying notes to the financial statements

# FRONT STREET RESOURCE GROWTH AND INCOME CLASS

## NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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### 1. THE FUND

Front Street Resource Growth and Income Class (the "Fund") is a class of shares of Front Street Mutual Funds Limited (the "Corporation"), a mutual fund corporation incorporated under the Canada Business Corporations Act on April 11, 2006, and is authorized to issue an unlimited number of classes of shares in multiple series. Pursuant to the notice of change in legal structure, the name of the Fund was changed to Front Street Resource Class on June 27, 2012. On July 18, 2013, the name of the Fund was changed to Front Street Resource Growth and Income Class. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. Series A commenced operations on June 22, 2006. Series B commenced operations on June 22, 2006. Series F commenced operations on July 13, 2006. Series L commenced operations on February 28, 2011. Series X commenced operations on January 26, 2012.

On January 16, 2014, the Fund acquired the net assets of Front Street Flow-Through 2012-I National Class Limited Partnership, Front Street Flow-Through 2012-I Quebec Class Limited Partnership and Front Street Flow-Through 2012-II Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 2.229975 Series B shares of the Fund for each Front Street Flow-Through 2012-I National Class Limited Partnership unit, 2.054942 Series B shares of the Fund for each Front Street Flow-Through 2012-I Quebec Class Limited Partnership unit and 2.959027 Series B shares of the Fund for each Front Street Flow-Through 2012-II Limited Partnership unit respectively.

The net assets of the Front Street Flow-Through 2012-I National Class Limited Partnership acquired were as follows:

Total assets	\$ 42,228,112
Total liabilities	<u>137,147</u>
Net assets representing partners' equity	<u>\$ 42,090,965</u>

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>6,765,849</u>	<u>\$ 42,090,965</u>

The net assets of the Front Street Flow-Through 2012-I Quebec Class Limited Partnership acquired were as follows:

Total assets	\$ 6,917,094
Total liabilities	<u>88,220</u>
Net assets representing partners' equity	<u>\$ 6,828,874</u>

# FRONT STREET RESOURCE GROWTH AND INCOME CLASS

## NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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### 1. THE FUND (Continued...)

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>1,097,692</u>	<u>\$ 6,828,874</u>

The net assets of the Front Street Flow-Through 2012 - II Limited Partnership acquired were as follows:

Total assets	\$ 14,819,413
Total liabilities	<u>92,720</u>
Net assets representing partners' equity	<u>\$ 14,726,693</u>

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>2,367,222</u>	<u>\$ 14,726,693</u>

On March 5, 2015, the Fund acquired the net assets of Front Street FlowThrough 2013-I National Class Limited Partnership, Front Street FlowThrough 2013-I Quebec Class Limited Partnership and Front Street FlowThrough 2013-II Limited Partnership on a tax deferred rollover basis whereby the Partnership units were converted at the rate of 4.595981 Series B shares of the Fund for each Front Street Flow Through 2013-I National Class Limited Partnership unit, 4.181414 Series B shares of the Fund for each Front Street Flow Through 2013-I Quebec Class Limited Partnership unit and 4.330176 Series B shares of the Fund for each Front Street Flow Through 2013-II Limited Partnership unit respectively.

The net assets of the Front Street FlowThrough 2013-I National Class Limited Partnership acquired were as follows:

Total assets	\$ 11,053,469
Total liabilities	<u>139,716</u>
Net assets representing partners' equity	<u>\$ 10,913,753</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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1. **THE FUND** (Continued...)

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>3,915,946</u>	<u>\$ 10,913,753</u>

The net assets of the Front Street FlowThrough 2013-I Quebec Class Limited Partnership acquired were as follows:

Total assets	\$ 3,447,828
Total liabilities	<u>120,083</u>
Net assets representing partners' equity	<u>\$ 3,327,745</u>

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>1,194,028</u>	<u>\$ 3,327,745</u>

The net assets of the Front Street Flow Through 2013-II Limited Partnership acquired were as follows:

Total assets	\$ 9,784,164
Total liabilities	<u>129,623</u>
Net assets representing partners' equity	<u>\$ 9,654,541</u>

Aggregate consideration was paid through the issuance of the following shares:

	Shares	Transactional NAV
Series B	<u>3,464,141</u>	<u>\$ 9,654,541</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 1. **THE FUND** (Continued...)

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, 2015.

The Fund is managed by Front Street Capital 2004 (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. Front Street Capital 2004 assumed the portfolio management and investment advisory services from Front Street Investment Management Inc. on October 16, 2015. NBCN Inc. is the custodian. Citigroup Fund Services Canada, Inc. provides fund accounting services and shareholder recordkeeping services.

The fundamental investment objective of the Fund is to provide current income and long-term capital appreciation by investing in a diversified portfolio of North American resource equity and income securities, including dividend paying or distribution paying North American resource equity and income securities such as common shares, income trust units, convertible bonds, and, to a lesser extent, interest-bearing securities such as corporate bonds. The Fund may, from time to time, engage in the short-selling of securities that the Investment Advisor believes are overvalued.

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 2. BASIS OF PRESENTATION AND ADOPTION OF INTERNATIONAL FINANCIAL STANDARDS

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). The Fund adopted IFRS in 2015 as required by Canadian securities legislation and the Canadian Accounting Standards Board. These are the Fund's first annual financial statements prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied. For the period from November 1, 2013 to October 31, 2014, the Fund had previously prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the CPA Canada Handbook. To prepare comparative information, the Fund has applied IFRS as at November 1, 2013, the Fund's date of transition to IFRS. The accounting, estimation and valuation policies adopted on conversion to IFRS, as described below, have been applied consistently to all periods presented herein. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows is provided in note 15 (Explanation of Transition to IFRS).

These financial statements were authorized for issue by the Board of Directors on January 25, 2016.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been applied consistently to all periods presented in these financial statements and in preparing the statement of financial position as at November 1, 2013 for the purpose of the transition to IFRS.

(a) Financial instruments

##### **Classification of financial instruments**

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

##### (a) Financial instruments (Continued...)

###### **Financial assets and liabilities at fair value through profit or loss**

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

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

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

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

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

# FRONT STREET RESOURCE GROWTH AND INCOME CLASS

## NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

#### (b) Fair value measurement

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

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

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

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

For financial statement reporting purposes, under National Instrument 81-106 ("NI 81-106") the Fund is required to disclose the differences between net assets attributable to redeemable shares per share and net asset value per share, including any differences in valuation principles or practices for the purposes of calculating net asset value versus those required under IFRS. A reconciliation between the net assets attributable to redeemable shares per share for financial reporting purposes and net asset value for investor transactions is presented in note 11 (Reconciliation of Net Asset Value to IFRS Net Assets Attributable to Shareholders of Redeemable Shares).

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

(c) Cash and cash equivalents

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

(d) Redeemable shares

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

(e) Impairment of financial assets

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

(f) Investment transactions and income recognition

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

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

(g) Securities lending, repurchase and reverse repurchase transactions

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

(h) Foreign currency translation

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

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

(i) Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share

Increase (decrease) in net assets attributable to shareholders of redeemable shares from operations per share is calculated by dividing the increase (decrease) in net assets attributable to shareholders of redeemable shares from operations of a series by the average number of shares outstanding of that series during the year.

(j) Net assets attributable to shareholders of redeemable shares per share

The net assets attributable to shareholders of redeemable shares per share are calculated by dividing the net assets of a series of shares by the total number of redeemable shares of that series outstanding at the end of the year.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

(k) Transaction costs

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

(l) Provisions

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

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

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

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

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

(n) Future changes in accounting standards:

IFRS 9 - Financial Instruments

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

(a) Valuation of investments

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

(b) Other judgments, estimates and assumptions

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

(c) Assessment as investment entity

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

#### 5. REDEEMABLE SHARES

Net assets attributable to holders of redeemable shares consists of amounts paid for shares, undistributed income, realized gains and losses and unrealized appreciation (depreciation) of financial assets at FVTPL and represents the capital of the Fund. The Fund may issue an unlimited number of redeemable shares. Each share is redeemable at the option of the shareholder in accordance with the articles of incorporation and prospectus, and entitles the shareholder to a proportionate interest in the net assets of the Fund. The Fund has no restrictions or specified capital requirements on subscriptions or redemptions of shares.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 5. **REDEEMABLE SHARES** (Continued...)

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

##### **Series A shares**

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

##### **Series B shares**

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

##### **Series F shares**

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

##### **Series L shares**

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

##### **Series X shares**

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 5. REDEEMABLE SHARES (Continued...)

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

The following redeemable share transactions took place during the year ended October 31:

	2015	2014
Redeemable shares outstanding, beginning of the year:		
Series A	293,332	277,254
Series B	10,485,814	9,821,572
Series F	207,776	173,271
Series L	1,642,517	2,084,273
Series X	978	947
Redeemable Shares issued during the year:		
Series A	130,602	70,528
Series B	8,630,605	10,288,843
Series F	207,648	94,463
Series L	-	-
Series X	-	-
Redeemable Shares distributions reinvested during the year:		
Series A	103,042	8,450
Series B	6,857,128	454,352
Series F	97,298	6,605
Series L	979,136	59,418
Series X	501	31
Redeemable Shares redeemed during the year:		
Series A	112,481	62,900
Series B	9,786,293	10,078,953
Series F	202,270	66,563
Series L	703,409	501,174
Series X	-	-
Redeemable Shares outstanding, end of the year:		
Series A	414,495	293,332
Series B	16,187,254	10,485,814
Series F	310,452	207,776
Series L	1,918,244	1,642,517
Series X	1,479	978

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 6. FEES AND EXPENSES

The Fund pays a monthly management fee equal to 1/12 of 1.5 % of the net asset value of Series A, Series B, Series F and Series X shares and 1/12 of 1.1% of the net asset value of Series L shares of the Fund calculated and paid at the end of each month in arrears from each Fund series.

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

The Fund pays a monthly service fee of 1/12 of 1.0% of the net asset value of the Series A and Series B shares and 1/12 of 0.4% of the net asset value of Series L shares calculated and paid at the end of each month in arrears. The Fund pays a monthly service fee of 1/12 of 0.5% of the net asset value of Series X shares, calculated and paid at the end of each month in arrears.

There are no performance fees payable for the Fund.

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

The Manager may, at its discretion, add a service charge of up to 15% of the costs incurred for any operating and administrative costs charged to the Fund other than management services which are already included in the management fee rate which the Manager receives from the Fund. The 15% service charge is intended to cover certain investor servicing costs attributable solely to the Fund, such as establishment of the Fund's client servicing models, maintenance of investor support phone lines, and investor website and email support. The Manager stopped charging such fees August 2015.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 7. INCOME TAX DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income, Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to income tax at applicable corporate tax rates, after claiming allowable deductions for expenses and applicable credits for foreign taxes paid on foreign-source income. Income tax on capital gains is refundable to the Fund to the extent that such gains are distributed to shareholders as capital gains dividends or the Fund's 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 Corporation is a single legal entity for tax purposes and is not taxed on a fund-by-fund basis. Non-capital and capital losses of the Corporation may be applied against the income and/or capital gains attributable to the Corporation as a whole irrespective of the Fund from which the income, gains and/or losses arise. Therefore, where the Corporation has positive net taxable income, any current tax liability can be offset with the utilization of unused prior year tax losses of the Corporation. Further, the payment of capital gains dividends, will also reduce or eliminate any taxes payable by the Corporation. This eliminates the requirement for a net tax provision for the Fund.

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

#### 8. TRANSACTION COSTS AND SOFT DOLLARS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2015 was \$357,571 (2014 - \$435,164).

There were no soft dollar amounts included in brokerage commissions.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 9. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2015 and 2014, fees paid to the Manager were as follows:

	2015	2014
Management fees, note 6	<u>\$ 826,048</u>	<u>\$ 1,478,676</u>
Servicing fees, note 6	<u>\$ 491,161</u>	<u>\$ 845,957</u>
Operating costs, note 6	<u>\$ 29,143</u>	<u>\$ 55,023</u>

Management fees payable and other payables included in accrued expenses were as follows:

	October 31, 2015	October 31, 2014	November 1, 2013
Management fees payable	<u>\$ 54,206</u>	<u>\$ 101,015</u>	<u>\$ 102,244</u>
Servicing fees payable	\$ 30,855	\$ 57,450	\$ 57,365
Operating costs payable	<u>-</u>	<u>11,133</u>	<u>10,129</u>
	<u>\$ 30,855</u>	<u>\$ 68,583</u>	<u>\$ 67,494</u>

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

	October 31, 2015	October 31, 2014	November 1, 2013
Series B shares held by the Partners of the Manager	29,329.46	16,233.40	15,525.36
Percentage of Series B shares held by the Partners of the Manager	0.18%	0.15%	0.16%
Series F shares held by the relatives of the Partners of the Manager	-	903.33	872.82
Percentage of Series F shares held by the relatives of the Partners of the Manager	Nil%	0.43%	0.50%
Series L shares held by the Partners of the Manager	336,618.82	227,602.85	220,813.87
Percentage of Series L shares held by the Partners of the Manager	17.55%	13.86%	10.59%
Series L shares held by the relatives of the Partners of the Manager	138,892.31	84,819.65	82,289.63
Percentage of Series L shares held by the relatives of the Partners of the Manager	7.24%	5.16%	3.95%

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

As at October 31, 2015, the Fund held 84,264 shares (2014 - \$Nil), representing 1.6% (2014 - Nil%) of the net assets, in Front Street MLP and Infrastructure Income Class which is also managed by the Manager.

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, 2015, Tuscarora Capital Inc., a company under common control to the Manager, received \$7,165 (2014 - \$2,700) in commissions on portfolio transactions for the Fund.

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

#### 10. 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, 2015, October 31, 2014 and November 1, 2013, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows:

	October 31, 2015	October 31, 2014	November 1, 2013
Value of securities loaned	<u>\$ 2,687,677</u>	<u>\$ 6,359,919</u>	<u>\$ 5,083,128</u>
Value of collateral received	<u>\$ 2,752,141</u>	<u>\$ 6,520,622</u>	<u>\$ 5,258,767</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 11. RECONCILIATION OF NET ASSET VALUE TO IFRS NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES

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

As at October 31, 2015, that reconciliation is as follows:

	Net asset value	Financial reporting adjustment	IFRS NA	Net asset value per share	IFRS NA per share
Series A	\$ 1,065,280	\$ 329	\$ 1,065,609	\$ 2.57	\$ 2.57
Series B	33,224,960	10,262	33,235,222	2.05	2.05
Series F	671,186	208	671,394	2.16	2.16
Series L	4,830,148	1,504	4,831,652	2.52	2.52
Series X	3,736	1	3,737	2.53	2.53
<b>Total</b>	<b>\$ 39,795,310</b>	<b>\$ 12,304</b>	<b>\$ 39,807,614</b>		

As at October 31, 2014, that reconciliation is as follows:

	Net asset value	Financial reporting adjustment	IFRS NA	Net asset value per share	IFRS NA per share
Series A	\$ 1,735,491	\$ (12)	\$ 1,735,479	\$ 5.92	\$ 5.92
Series B	58,479,990	(413)	58,479,577	5.58	5.58
Series F	1,181,668	(9)	1,181,659	5.69	5.69
Series L	10,630,705	(74)	10,630,631	6.47	6.47
Series X	5,885	-	5,885	6.02	6.02
<b>Total</b>	<b>\$ 72,033,739</b>	<b>\$ (508)</b>	<b>\$ 72,033,231</b>		

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 11. RECONCILIATION OF NET ASSET VALUE TO IFRS NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS OF REDEEMABLE SHARES (Continued...)

As at November 1, 2013, that reconciliation is as follows:

	Net asset value	Financial reporting adjustment	IFRS NA	Net asset value per share	IFRS NA per share
Series A	\$ 1,789,562	\$ 1,616	\$ 1,791,178	\$ 6.45	\$ 6.46
Series B	59,907,894	54,111	59,962,005	6.10	6.11
Series F	1,066,582	963	1,067,545	6.16	6.16
Series L	14,527,359	13,136	14,540,495	6.97	6.98
Series X	6,177	6	6,183	6.52	6.53
Total	\$ 77,297,574	\$ 69,832	\$ 77,367,406		

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of financial assets and liabilities at FVTPL, cash and cash equivalents, dividends receivable, subscriptions receivable, interest and other receivables, receivables for investments sold, accrued expenses, management fees payable, payable for investment purchased, dividends payable and distributions payable and redemptions payable. It is the Manager's opinion that due to the short term nature of these financial instruments, the Fund is not exposed to significant market price, currency, interest rate, liquidity, cash flow, credit, and portfolio concentration risks arising from these financial instruments except as described below. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

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

The schedule of investment portfolio presents the securities held by the Fund as at October 31, 2015 and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

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

i) Market price risk

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

The Fund is exposed to market price risk arising from its investments in securities. The Investment Manager 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.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### ii) Currency risk (Continued...)

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

As at October 31, 2015

Currency	Financial instruments at FVTPL	Cash and cash equivalents	Total	Percentage of Net Assets
United States Dollar	<u>\$ 4,193,477</u>	<u>\$ 547,657</u>	<u>\$ 4,741,134</u>	<u>11.91 %</u>

As at October 31, 2014

Currency	Financial instruments at FVTPL	Cash and cash equivalents	Total	Percentage of Net Assets
United States Dollar	<u>\$ 4,074,954</u>	<u>\$ 1,294,480</u>	<u>\$ 5,369,434</u>	<u>7.45 %</u>

As at November 1, 2013

Currency	Financial instruments at FVTPL	Bank indebtedness	Total	Percentage of Net Assets
United States Dollar	\$ 7,769,116	\$ -	\$ 7,769,116	10.04 %
Australian Dollar	1,999,280	-	1,999,280	2.58 %
British Pound Sterling	<u>579,776</u>	<u>-</u>	<u>579,776</u>	<u>0.75 %</u>
	<u>\$10,348,172</u>	<u>\$ -</u>	<u>\$10,348,172</u>	<u>13.37 %</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at October 31, 2015, there were 14.8% (October 31, 2014 – 9.4%; November 1, 2013 – 14.7%) of net assets invested in bonds. The remaining portion of the Fund’s investments are substantially non-interest bearing equity investments.

As at October 31, 2015

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets at FVTPL	\$ -	\$ 5,894,646	\$ 32,535,721	\$ 38,430,367
Cash and cash equivalents	500,130	-	-	500,130
Loans and receivables	<u>-</u>	<u>-</u>	<u>1,565,943</u>	<u>1,565,943</u>
Total	<u>\$ 500,130</u>	<u>\$ 5,894,646</u>	<u>\$ 34,101,664</u>	<u>\$ 40,496,440</u>
Financial liabilities				
Financial liabilities at FVTPL	\$ -	\$ -	\$ -	\$ -
Other financial liabilities	<u>-</u>	<u>-</u>	<u>688,826</u>	<u>688,826</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,826</u>	<u>\$ 688,826</u>
IFRS NA				<u>\$ 39,807,614</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### iii) Interest rate risk (Continued...)

As at October 31, 2014

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets at FVTPL	\$ -	\$ 6,795,848	\$ 63,602,355	\$ 70,398,203
Cash and cash equivalents	2,510,377	-	-	2,510,377
Loans and receivables	-	-	2,741,140	2,741,140
<b>Total</b>	<b>\$ 2,510,377</b>	<b>\$ 6,795,848</b>	<b>\$ 66,343,495</b>	<b>\$ 75,649,720</b>
Financial liabilities				
Financial liabilities at FVTPL	\$ -	\$ -	\$ 1,012,095	\$ 1,012,095
Other financial liabilities	-	-	2,604,394	2,604,394
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,616,489</b>	<b>\$ 3,616,489</b>
IFRS NA				<u>\$ 72,033,231</u>

As at November 1, 2013

Financial assets	Floating Rate Financial Instruments	Fixed Rate Financial Instruments	Non-interest Bearing	Total
Financial assets at FVTPL	\$ -	\$ 11,376,468	\$ 66,227,292	\$ 77,603,760
Loans and receivables	-	-	1,018,281	1,018,281
<b>Total</b>	<b>\$ -</b>	<b>\$ 11,376,468</b>	<b>\$ 67,245,573</b>	<b>\$ 78,622,041</b>
Financial liabilities				
Bank indebtedness	\$ 344,993	\$ -	\$ -	\$ 344,993
Other financial liabilities	-	-	909,642	909,642
<b>Total</b>	<b>\$ 344,993</b>	<b>\$ -</b>	<b>\$ 909,642</b>	<b>\$ 1,254,635</b>
IFRS NA				<u>\$ 77,367,406</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk

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

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

As at October 31, 2015

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 5,489	\$ 2,271,857	\$ 1,345,598	\$ 2,292,254	\$ 32,515,169	\$ 38,430,367
Cash and cash equivalents	500,130	-	-	-	-	500,130
Loans and receivables	<u>1,565,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,565,943</u>
Total	<u>\$ 2,071,562</u>	<u>\$ 2,271,857</u>	<u>\$ 1,345,598</u>	<u>\$ 2,292,254</u>	<u>\$ 32,515,169</u>	<u>\$ 40,496,440</u>
Financial liabilities						
Other financial liabilities	<u>\$ 688,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 688,826</u>
IFRS NA						<u>\$ 39,807,614</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

##### iv) Liquidity risk (Continued...)

As at October 31, 2014

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 7	\$ 3,862	\$3,336,124	\$3,459,724	\$ 63,598,486	\$ 70,398,203
Cash and cash equivalents	2,510,377	-	-	-	-	2,510,377
Loans and receivables	<u>2,741,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,741,140</u>
<b>Total</b>	<b><u>\$ 5,251,524</u></b>	<b><u>\$ 3,862</u></b>	<b><u>\$3,336,124</u></b>	<b><u>\$3,459,724</u></b>	<b><u>\$ 63,598,486</u></b>	<b><u>\$ 75,649,720</u></b>
Financial liabilities						
Financial liabilities at FVTPL	\$ -	\$ -	\$ -	\$ -	\$ 1,012,095	\$ 1,012,095
Other financial liabilities	<u>2,604,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,604,394</u>
<b>Total</b>	<b><u>\$ 2,604,394</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,012,095</u></b>	<b><u>\$ 3,616,489</u></b>
IFRS NA						<u>\$ 72,033,231</u>

As at November 1, 2013

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Financial assets at FVTPL	\$ 74,500	\$ 11,985	\$2,813,040	\$8,563,428	\$ 66,140,807	\$ 77,603,760
Loans and receivables	<u>1,018,281</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,018,281</u>
<b>Total</b>	<b><u>\$ 1,092,781</u></b>	<b><u>\$ 11,985</u></b>	<b><u>\$2,813,040</u></b>	<b><u>\$8,563,428</u></b>	<b><u>\$ 66,140,807</u></b>	<b><u>\$ 78,622,041</u></b>
Financial liabilities						
Bank indebtedness	\$ 344,993	\$ -	\$ -	\$ -	\$ -	\$ 344,993
Other financial liabilities	<u>909,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>909,642</u>
<b>Total</b>	<b><u>\$ 1,254,635</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,254,635</u></b>
IFRS NA						<u>\$ 77,367,406</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk (Continued...)

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2015, the fair value of such assets was 0.9% (October 31, 2014 – 5.1%; November 1, 2013 – 9.8%) 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.

vi) Credit risk

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

Financial assets which potentially expose the Fund to credit risk consist principally of investment in bonds, amounts due from brokers and derivatives. The Fund seeks to mitigate its exposure to credit risk by placing its cash, and transacting its securities activity with large financial institutions. The Fund may also invest in corporate bonds. Until the bonds are sold or mature, the Fund is exposed to credit risk relating to whether the bond issuer will meet its obligations when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Fund's Statement of Financial Position.

To partially mitigate credit risk with respect to its securities lending the Fund receive collateral against the securities loaned (note 10). As at October 31, 2015, the Fund loaned securities with an aggregate fair value of \$2,687,677 (October 31, 2014 - \$6,359,919; November 1, 2013 - \$5,803,128) and received collateral with an aggregate fair value of \$2,752,141 (October 31, 2014 - \$6,520,622; November 1, 2013 \$5,258,767).

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

#### 12. RISKS ASSOCIATED WITH FINANCIAL INSTRUMENTS (Continued...)

As at October 31, 2015, the Fund had 14.8% (October 31, 2014 - 9.4%; November 1, 2013 - 14.7%) of holdings in debt instruments with the following credit ratings obtained from Standard and Poor's Moody's or DBRS:

Debt instruments by credit rating	Percentage of net assets		
	October 31, 2015	October 31, 2014	November 1, 2013
BB+	3.1 %	1.7 %	2.1 %
BB	2.1 %	1.6 %	3.4 %
BB-	0.7 %	- %	0.7 %
B+	3.9 %	0.7 %	3.4 %
B	1.5 %	2.2 %	2.7 %
B-	2.0 %	0.8 %	- %
Not available or not rated	1.5 %	2.4 %	2.4 %

#### vii) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Fund's concentration risk by market segments/categories of financial instruments has been summarized as follows:

	Percentage of net assets		
	October 31, 2015	October 31, 2014	November 1, 2013
Energy	59.8 %	80.1 %	66.5 %
Materials	15.1 %	4.9 %	16.3 %
Corporate bonds	14.8 %	9.4 %	14.7 %
Industrial	5.2 %	0.0 %	0.0 %
Other assets less liabilities	2.2 %	0.2 %	0.1 %
Mutual funds	1.6 %	0.0 %	1.4 %
Cash and cash equivalents (bank indebtedness)	1.3 %	3.5 %	(0.4)%
Financial	0.0 %	0.6 %	1.4 %
Utilities	0.0 %	1.3 %	0.0 %
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 13. CAPITAL MANAGEMENT

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

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

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

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

#### 14. FAIR VALUE HIERARCHY

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

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

The following tables summarize the inputs used as of October 31, 2015; October 31, 2014 and November 1, 2013 in valuing the Fund's financial assets and liabilities at FVTPL.

As at October 31, 2015	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 31,090,975</u>	<u>\$ 6,963,984</u>	<u>\$ 375,408</u>	<u>\$ 38,430,367</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

As at October 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 59,182,608</u>	<u>\$ 7,549,475</u>	<u>\$ 3,666,120</u>	<u>\$ 70,398,203</u>
Financial liabilities at FVTPL	<u>\$ 1,012,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,012,095</u>
As at November 1, 2013	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	<u>\$ 59,548,679</u>	<u>\$ 10,450,971</u>	<u>\$ 7,604,110</u>	<u>\$ 77,603,760</u>

The following table reconciles opening balances to closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at FVTPL Equities	Financial assets at FVTPL Bonds
Balance at November 1, 2013	\$ 6,604,110	\$ 1,000,000
Purchases	-	-
Proceeds from sales	(93,014)	-
Transfers in	159,180	-
Transfers out	-	(1,000,000)
Gains (losses)		
Realized	(372,057)	-
Unrealized	<u>(2,632,099)</u>	<u>-</u>
Balance at October 31, 2014	3,666,120	-
Purchases	6,730	-
Proceeds from sales	(405,455)	-
Transfers in	2	-
Transfers out	-	-
Gains (losses)		
Realized	(9,353,691)	-
Unrealized	<u>6,461,702</u>	<u>-</u>
Balance at October 31, 2015	<u>\$ 375,408</u>	<u>\$ -</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

The transfers in equities represents an equity that has moved from level one to level three as a result of no longer having observable market data. The transfers out of bonds represents a bond reallocated to level one as it became a listed company.

##### Valuation techniques and framework

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

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

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models, including but not limited to the Black-Scholes stock option model. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, EBITDA and/or revenue multiples and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement for an asset to be sold or a liability to be transferred between market participants at a measurement date.

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

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

##### Valuation techniques and framework (Continued...)

The Fund may invest in equity securities of private companies, which are classified as Level 3 securities. These may be valued using the most recent rounds of financing, or in certain cases, using models. Some or all of the significant inputs into the valuation models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in the determination of fair value. Management judgement and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the security being valued, and other inputs (such as discount rate, liquidity risk, credit risk, as applicable), to the extent that the Fund believes that a third party market participant would take them into account in pricing a transaction.

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

The tables below summarize the level 3 financial assets at FVTPL valued based on the aforementioned valuation techniques as at October 31, 2015, October 31, 2014 and November 1, 2013.

As at October 31, 2015	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Andora Energy Corporation	332,107	\$ 895,998	\$ 132,843
East Asia Minerals Corporation Warrants December 15, 2016	1,913,745	-	2
Mincore Inc.	3,583,213	1,145,803	35,832
Oil Reserve Inc.	2,666,667	800,000	200,000
Oilsands Quest Inc.	136,000	159,180	-
Veris Gold Corporation	673,000	6,730	6,730
Veris Gold Corporation Warrants	636,500	-	1
		<u>\$ 3,007,711</u>	<u>\$ 375,408</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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

Valuation techniques and framework (Continued...)

As at October 31, 2014	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Andora Energy Corporation	332,107	\$ 895,998	\$ 132,843
Dolomite Energy Inc.	1,416,000	1,203,600	354,000
Laricina Energy Limited	228,100	6,898,044	2,166,950
Mincore Inc.	3,583,213	1,145,803	179,161
Oil Reserve Inc.	2,666,667	800,000	266,666
Oilsands Quest Inc.	136,000	159,180	-
Triaxon Oil Corporation	655,000	982,500	458,500
Tuya Energy Inc.	2,700,000	<u>675,000</u>	<u>108,000</u>
		<u>\$ 12,760,125</u>	<u>\$ 3,666,120</u>

As at November 1, 2013	Number of Shares/Units /Par Value	Cost \$	Fair Value \$
Andora Energy Corporation	332,107	\$ 895,998	\$ 132,843
Dolomite Energy Inc.	1,416,000	1,203,600	495,600
Flemish Gold Corporation	620,095	465,071	62,010
Laricina Energy Limited	228,100	6,898,044	4,562,000
Mincore Inc.	3,583,213	1,145,803	250,824
Oil Reserve Inc.	2,666,667	800,000	453,333
Terrace Energy Corporation Convertible Note April 2, 2018	1,000,000	1,000,000	1,000,000
Triaxon Oil Corporation	655,000	982,500	458,500
Tuya Energy Inc.	2,700,000	<u>675,000</u>	<u>189,000</u>
		<u>\$ 14,066,016</u>	<u>\$ 7,604,110</u>

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 15. TRANSITION TO IFRS

The quantitative effects of the Fund's transition to IFRS are summarized as follows:

(a) Statement of Cash Flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative years, without exception.

(b) Reconciliation of net assets attributable to shareholders of redeemable shares and increase (decrease) in net assets attributable to shareholders of redeemable shares from operations previously reported under Canadian GAAP to IFRS:

	October 31, 2014	November 1, 2013
<b>Net assets attributable to shareholders of redeemable shares</b>		
Equity as reported under Canadian GAAP	\$ 71,699,271	\$ 77,161,505
Revaluation of investments due to bid-ask price spread adjustment	<u>333,960</u>	<u>205,901</u>
<b>Net assets attributable to shareholders of redeemable shares</b>	<b><u>\$ 72,033,231</u></b>	<b><u>\$ 77,367,406</u></b>
<b>Comprehensive income for the year ended</b>	October 31, 2014	
Decrease in net assets attributable to shareholders of redeemable shares from operations under Canadian GAAP	\$ (1,588,389)	
Revaluation of investments due to bid-ask price spread adjustment	<u>128,059</u>	
<b>Decrease in net assets attributable to shareholders of redeemable shares from operations</b>	<b><u>\$ (1,460,330)</u></b>	

#### Transition elections

The Fund has applied the voluntary election upon transition to designate financial assets or financial liabilities at FVTPL. All financial assets designated at FVTPL upon transition were previously recorded at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

#### Classification of redeemable shares issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable shares as equity. Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation of the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's shares do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

## FRONT STREET RESOURCE GROWTH AND INCOME CLASS

### NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2015 AND 2014

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#### 15. **TRANSITION TO IFRS** (Continued...)

##### **Revaluation of investments due to bid-ask spread adjustments**

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price or ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. When the closing sale price of financial instruments traded in active markets is outside the bid and ask spread, such financial instruments are measured based on the bid price for securities owned or held long and on the asking price for securities sold short. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investment by \$205,901 at November 1, 2013 and \$333,960 at October 31, 2014. The impact of this adjustment was to decrease the Fund's decrease in net assets attributable to shareholders of redeemable shares by \$128,059 for the year ended October 31, 2014.

##### **Reclassification adjustments**

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS.

Presentation of the statements of financial position has been reclassified in accordance with IFRS to present assets and liabilities between current and non-current.

IFRS requires withholding taxes to be disclosed separately as an expense, whereas Canadian GAAP allowed withholding taxes to be netted against dividend income.

IFRS requires transaction costs and other gains or losses, all presented under Canadian GAAP after the line "Investment loss for the period", to be classified with expenses or income as applicable.

#### 16. **SUBSEQUENT EVENTS**

Effective November 16, 2015, CIBC Mellon replaced NBCN Inc. as the custodian and replaced Citi Group Fund Services Canada, Inc. to provide shareholder recordkeeping services and fund accounting services.

Pursuant to the press release dated January 18, 2016, Front Street U.S. MLP Income Fund Ltd. ("FSUSMLP") will amalgamate with Front Street Mutual Funds Limited ("FSMFL") on January 26, 2016. Upon amalgamation, each shareholder of FSMFL will be issued the class and series of shares of the new amalgamated fund that are of equal denomination as the class and series of FSMFL shares that he or she holds immediately prior to the amalgamation, and these shares will carry terms that are identical in all respects to their current holdings. For each equity share, series C, and equity share series U that shareholders of FSUSMLP hold immediately prior to the amalgamation, they will receive, on the effective date of the amalgamation, one series MC share or one series MU share respectively of the new amalgamated fund Front Street MLP and Infrastructure Income Class.