



Restated Annual Management Report of Fund Performance As at October 31, 2013 Front Street Tactical Equity Class

The Front Street Tactical Equity Class (the "Fund") Annual Management Report of Fund Performance ("MRFP") dated as at October 31, 2013 is being restated and re-filed to include (i) an annual compound returns table of past performance for the 5-, 3-, and 1-year periods ended on the last day of the Fund's financial year and the Fund's past performance since the inception of the Fund, and (ii) past performance in the annual returns table reflecting returns prior to the merger of the Fund on November 1, 2008, each of which was inadvertently omitted in the original MRFP filed on SEDAR. No other changes have been made to the MRFP.

This Restated Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual financial statements for Front Street Tactical Equity 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 or SEDAR at www.sedar.com

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

Forward Looking Information

This Annual 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 Objective and Strategies

The Fund's investment objective is to provide shareholders with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund will invest primarily in Canadian equities and may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund may also invest in foreign equities.

The Fund's Investment Advisor, Front Street Investment Management Inc., may also consider non-investment factors such as cash flow and liquidity requirements hold periods and restrictions, risk factors, stop-loss containment and tax efficient distributions.

The Front Street Tactical Equity 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, trading in securities of distressed issuers, 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.

Risk

Most of the Fund's assets will be invested in common shares and other equity securities. The Fund will therefore be subject to stock market risk. Since the Fund may also invest in foreign securities, this may expose the Fund, to a limited extent, to the risk of investments in foreign securities and foreign currency risk. The Fund invests in relatively illiquid securities that may expose the Fund to liquidity risk. The Fund may also be exposed to sector risk due to its investments being concentrated in a limited number of sectors. The Fund may also be exposed to the risks of short selling and investing in derivatives. The Fund will also be subject to risks associated with investing in securities of junior industrial and technology companies, series risk and securities lending, repurchase and reverse repurchase risk.

Currency risk proved to have an effect on the Fund's returns, as the Canadian dollar traded in a wide range relative to the U.S. dollar, over the year. Currency risk impacted principally the Fund's investments that had revenue in U.S. dollars. Volatility in currency markets continues to be high, suggesting uncertainty going forward on this front.

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

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

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



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

The risks of investing in the Fund are further discussed in the Fund's Annual Information Form.

Results of Operations

For the year ended October 31, 2013, the Front Street Tactical Equity Class returned 9.7% (net of expenses) while the benchmark (S&P/TSX Composite Index) returned 7.6%.

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

During the year ended October 31, 2013, the Fund earned investment income of \$1,449,080 from dividends, interest and securities lending revenue. There were net realized gains on the sale of investments of \$1.9 million and an unrealized appreciation on the value of investments of \$5.3 million.

Operating expenses, excluding management fees, servicing fees and compensatory dividends, totaled \$392,004 during the year ended October 31, 2013.

Recent Developments

Pursuant to the press release dated December 30, 2013, the Manager decided not to proceed with the mergers of Front Street Tactical Equity Class and Front Street Value Class into Front Street Growth and Income Class and Front Street Resource Growth and Income Class, respectively, each a mutual fund class within Front Street Mutual Funds Limited

Subsequent to the year ended October 31, 2013, Front Street Mutual Funds Limited filed the preliminary simplified prospectus and the preliminary annual information form in respect of an offering of Series A, Series B, Series F and Series X shares of the Fund.

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

International Financial Reporting Standards (“IFRS”)

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

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

- a) IAS 32, Financial Instruments: Disclosure and Presentation and IFRS 9, Financial Instruments, require shareholders’ equity to be classified as liability unless certain criteria are met. The Fund’s shareholders’ equity meets the definition of a puttable instrument. The Manager has assessed the Fund’s shareholder structure and has determined the liability treatment is the most appropriate classification. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity’s financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.
- c) IFRS 13, Fair Value Measurements, that was released in May 2011 provides guidance on the fair value measurements and allows for the possible use of closing prices to value investments. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices is appropriate in valuing investments. While IFRS does not require interest income to be disclosed for debt instruments measured at Fair Value through Profit or Loss, when interest income is disclosed, IFRS requires that the effective interest rate method of calculating accrued interest be used rather than the straight-line amortization method. The Manager is assessing the impact of this change to the Fund’s financial statements.

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



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

Related Party Transactions

During the years ended October 31, 2013 and 2012, fees paid to the Manager were as follows:

	2013	2012
Management fees	<u>\$ 1,092,647</u>	<u>\$ 1,528,658</u>
Servicing fees	<u>\$ 642,427</u>	<u>\$ 870,042</u>
Operating costs	<u>\$ 39,598</u>	<u>\$ 76,674</u>

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

	2013	2012
Management fees payable	\$ 85,678	\$ 120,569
Servicing fees payable	50,285	69,550
Operating costs payable (receivable)	<u>(11,695)</u>	<u>17,659</u>
	<u>\$ 124,268</u>	<u>\$ 207,778</u>

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

	2013	2012
Series B shares held by Partners of the Manager	1,464,518.52	1,468,164.46
Percentage of Series B shares held by Partners of the Manager	38.27%	29.73%
Series F shares held by Partners of the Manager	-	56,197.94
Percentage of Series F shares held by Partners of the Manager	Nil%	18.47%
Series F shares held by relatives of Partners of the Manager	7,602.03	8,497.59
Percentage of Series F shares held by relatives of Partners of the Manager	5.75%	2.79%

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the year ended October 31, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$431,305 (2012 - \$802,450) in commissions on portfolio transactions for the Fund.

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

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance 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 Share⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$	October 31 2010 \$	October 31 2009 \$
Net Assets, beginning of the year	8.75	9.24	10.79	8.95	7.12
Increase (decrease) from operations:					
Total revenue	0.19	0.10	0.08	0.05	0.09
Total expenses	(0.29)	(0.30)	(0.55)	(0.40)	(0.46)
Realized gains (losses) for the year	0.12	(0.93)	1.05	1.23	0.05
Unrealized gains (losses) for the year	0.68	0.60	(2.03)	0.82	2.18
Total increase (decrease) from operations⁽²⁾	0.70	(0.53)	(1.45)	1.70	1.86
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions to Shareholders⁽³⁾	—	—	—	—	—
Net Assets, end of the year	9.61	8.75	9.24	10.79	8.95

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

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	21,639	32,658	43,836	60,304	57,607
Number of shares outstanding ⁽¹⁾	2,244,213	3,714,060	4,736,818	5,598,733	6,444,974
Management expense ratio ⁽²⁾	3.22%	3.33%	4.89%	4.19%	6.02%
Management expense ratio before waivers or absorptions	3.22%	3.33%	4.89%	4.19%	6.02%
Trading expense ratio ⁽³⁾	1.33%	1.64%	1.46%	1.33%	1.49%
Portfolio turnover rate ⁽⁴⁾	280.49%	386.98%	326.81%	393.47%	595.92%
Net asset value per share (\$)	9.64	8.79	9.25	10.77	8.94

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

Series B
The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$	October 31 2010 \$	October 31 2009 \$
Net Assets, beginning of the year	8.74	9.24	10.78	8.96	7.13
Increase (decrease) from operations:					
Total revenue	0.19	0.10	0.08	0.05	0.07
Total expenses	(0.29)	(0.30)	(0.54)	(0.41)	(0.53)
Realized gains (losses) for the year	0.14	(0.93)	0.96	1.26	0.84
Unrealized gains (losses) for the year	0.74	0.62	(2.16)	0.78	2.50
Total increase (decrease) from operations ⁽²⁾	0.78	(0.51)	(1.66)	1.68	2.88
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—	—	—
Net Assets, end of the year	9.61	8.74	9.24	10.78	8.96

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

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	36,869	43,394	55,839	67,171	72,781
Number of shares outstanding ⁽¹⁾	3,826,811	4,937,796	6,036,717	6,239,097	8,138,118
Management expense ratio ⁽²⁾	3.23%	3.33%	4.82%	4.27%	6.64%
Management expense ratio before waivers or absorptions	3.23%	3.33%	4.82%	4.27%	6.64%
Trading expense ratio ⁽³⁾	1.33%	1.64%	1.46%	1.33%	1.49%
Portfolio turnover rate ⁽⁴⁾	280.49%	386.98%	326.81%	393.47%	595.92%
Net asset value per share (\$)	9.63	8.79	9.25	10.77	8.94

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



Series F

The Fund's Net Assets per Share ⁽¹⁾

	October 31 2013 \$	October 31 2012 \$	October 31 2011 \$	October 31 2010 \$	October 31 2009 \$
Net Assets, beginning of the year	8.57	8.96	10.37	8.60	6.86
Increase (decrease) from operations:					
Total revenue	0.18	0.10	0.08	0.05	0.08
Total expenses	(0.20)	(0.20)	(0.40)	(0.27)	(0.37)
Realized gains (losses) for the year	0.12	(0.82)	0.48	1.10	0.18
Unrealized gains (losses) for the year	0.58	0.60	(2.18)	0.33	0.71
Total increase (decrease) from operations ⁽²⁾	0.68	(0.32)	(2.02)	1.21	0.60
Distributions to Shareholders:					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total distributions to Shareholders ⁽³⁾	—	—	—	—	—
Net Assets, end of the year	9.51	8.57	8.96	10.37	8.60

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

Ratios and Supplemental Data

Total net asset value (\$000's) ⁽¹⁾	1,262	2,621	6,504	4,841	3,640
Number of shares outstanding ⁽¹⁾	132,278	304,287	725,107	467,506	424,183
Management expense ratio ⁽²⁾	2.26%	2.25%	3.73%	2.92%	4.97%
Management expense ratio before waivers or absorptions	2.26%	2.25%	3.73%	2.92%	4.97%
Trading expense ratio ⁽³⁾	1.33%	1.64%	1.46%	1.33%	1.49%
Portfolio turnover rate ⁽⁴⁾	280.49%	386.98%	326.81%	393.47%	595.92%
Net asset value per share (\$)	9.54	8.61	8.97	10.35	8.58

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

Management and Performance Fees

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

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

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

Dealer Compensation

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

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

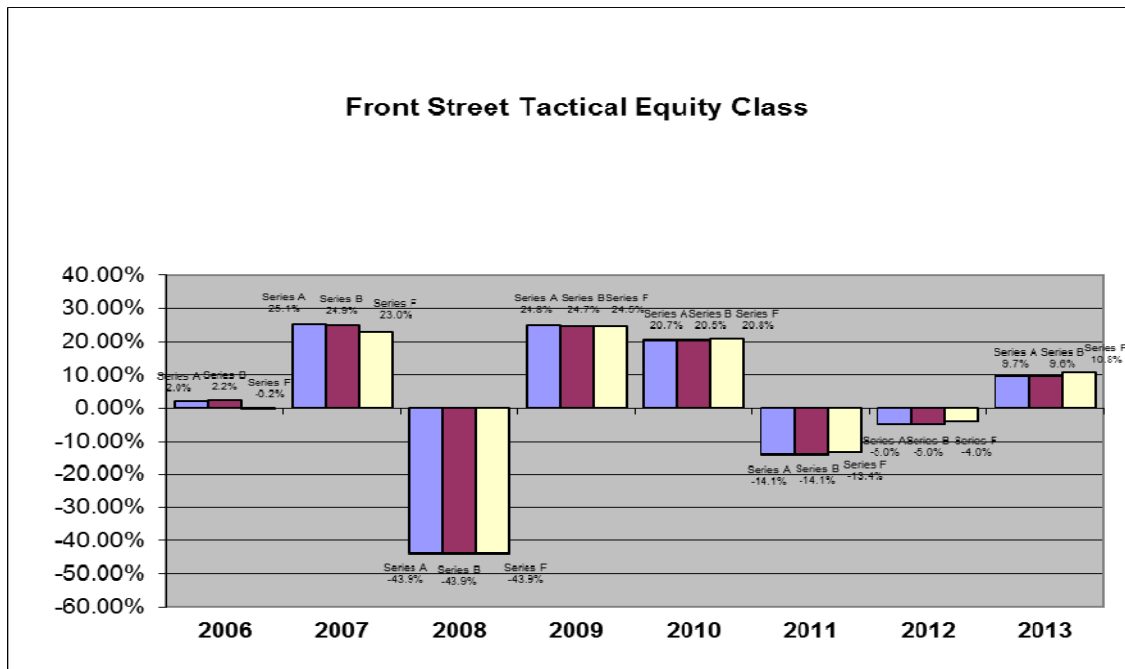
Series	Trailer Annual Rate	Annual Payment per \$1,000 of Fund securities held
A	1.00%	\$10.00
B	1.00%	\$10.00
F	0.00%	Nil
X	0.50%	\$5.00

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 Tactical Equity Class, a class of Front Street Mutual Funds Ltd. The Fund was merged with the discontinuing Front Street Equity 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.



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, 2013, and as compared to the performance of the S&P/TSX Composite Index (the "Index").

Front Street Tactical Equity Class	Past 5 years	Past 3 years	Past 1 year	Since Amalgamation November 1, 2008	Since Inception June 28, 2006
Series A	6.15%	-3.62%	9.66%	6.15%	-0.49%
S&P/TSX Composite Index	6.48%	1.77%	7.55%	6.48%	1.75%

Front Street Tactical Equity Class	Past 5 years	Past 3 years	Past 1 year	Since Amalgamation November 1, 2008	Since Inception June 22, 2006
Series B	6.11%	-3.63%	9.63%	6.11%	-0.50%
S&P/TSX Composite Index	6.48%	1.77%	7.55%	6.48%	1.75%

Front Street Tactical Equity Class	Past 5 years	Past 3 years	Past 1 year	Since Amalgamation November 1, 2008	Since Inception August 3, 2006
Series F	6.74%	-2.68%	10.75%	6.74%	-0.65%
S&P/TSX Composite Index	6.48%	1.77%	7.55%	6.48%	1.69%

The Index is a float market capitalization that tracks the performance of some of the largest and most widely held Canadian stocks listed on the Toronto Stock Exchange.

Summary of Investment Portfolio as at October 31, 2013
Portfolio by Category

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
Financials	19.8%
Energy	15.0%
Information Technology	14.4%
Industrials	11.0%
Consumer Discretionary	12.4%
Corporate Bonds	10.0%
Materials	8.2%
Cash & cash equivalents	4.5%
Telecommunication Services	1.3%
Utilities	0.7%
Health Care	0.3%
Consumer Staples	0.3%
SHORT POSITIONS	
Consumer Staples	-0.0%
Written Options	-0.3%
Other assets less other liabilities	2.4%
	100.0%

Top 25 Holdings

	Percentage of Transactional Net Asset Value
LONG POSITIONS	
The Toronto-Dominion Bank	3.3%
Amaya Gaming Group Inc.	2.9%
Sun Life Financial Inc.	2.7%
Bank of America Corporation	2.6%
Intertape Polymer Group Inc.	2.5%
Bauer Performance Sports Limited	2.4%
COM DEV International Limited	2.3%
Coastal Energy Company	2.3%
Boyd Group Income Fund	2.1%
Martinrea International Inc.	2.1%
The Descartes Systems Group Inc.	2.1%
Parex Resources Inc.	2.0%
Suncor Energy Inc.	2.0%
The Bank of Nova Scotia	1.9%
Manulife Financial Corporation	1.9%
Estrella International Energy Services Limited	1.8%
Vicwest Inc.	1.8%
Air Canada	1.5%
Great-West Lifeco Inc.	1.5%
Committed Capital Acquisition	1.5%
CAE Inc.	1.5%
Canadian Natural Resources Limited	1.3%
GENIVAR Inc.	1.3%
Redknee Solutions Inc.	1.3%
Whitecap Resources Inc.	1.2%
	49.8%
TOTAL TRANSACTIONAL NET ASSET VALUE ('000s)	\$59,770

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

FRONT STREET TACTICAL EQUITY CLASS

FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

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

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

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

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

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



Gary P. Selke
Management Committee Member
Front Street Capital 2004



Normand G. Lamarche
Management Committee Member
Front Street Capital 2004

January 24, 2014
Toronto, Ontario



SEGAL LLP
Chartered Professional Accountants
An independent member of DFK International

2005 Sheppard Ave. E., No. 500
Toronto, Ontario M2J 5B4

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INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of
Front Street Tactical Equity Class (the "Fund") of Front Street Mutual Funds Limited**

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Independent Auditor's Report
Page 2

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

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

Opinion

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

Segal LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
January 24, 2014

FRONT STREET TACTICAL EQUITY CLASS

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

	2013	2012
ASSETS		
Investments, at fair value (cost - \$49,917,498; 2012 - \$64,239,266)	\$ 55,619,800	\$ 64,415,604
Cash and cash equivalents	2,702,003	15,878,658
Accounts receivable relating to portfolio assets sold	2,722,280	1,781,345
Amounts receivable relating to accrued income	152,409	103,513
Accounts receivable relating to shares issued	<u>-</u>	<u>15,828</u>
	<u>\$ 61,196,492</u>	<u>\$ 82,194,948</u>
LIABILITIES		
Obligations from portfolio assets sold short, at fair value	\$ 162,786	\$ 2,057,858
Liabilities for portfolio assets purchased	991,701	1,201,278
Accounts payable relating to shares redeemed	176,771	295,296
Accrued expenses, note 7	<u>265,151</u>	<u>374,650</u>
	<u>1,596,409</u>	<u>3,929,082</u>
Net assets representing shareholders' equity	<u>\$ 59,600,083</u>	<u>\$ 78,265,866</u>
Net assets applicable to outstanding shares allocated as follows:		
Net assets, Series A	\$ 21,577,599	\$ 32,488,672
Shares outstanding, Series A, note 3	2,244,213	3,714,060
Net assets per share, Series A	<u>\$ 9.61</u>	<u>\$ 8.75</u>
Net assets, Series B	\$ 36,763,980	\$ 43,169,373
Shares outstanding, Series B, note 3	3,826,811	4,937,796
Net assets per share, Series B	<u>\$ 9.61</u>	<u>\$ 8.74</u>
Net assets, Series F	\$ 1,258,504	\$ 2,607,821
Shares outstanding, Series F, note 3	132,278	304,287
Net assets per share, Series F	<u>\$ 9.51</u>	<u>\$ 8.57</u>
Net assets, Series X	\$ -	\$ -
Shares outstanding, Series X, note 3	-	-
Net assets per share, Series X	<u>\$ -</u>	<u>\$ -</u>

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



Gary P. Selke
Chief Executive Officer and Director



Susan Johnson
Chief Financial Officer

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

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

	2013	2012
Investment income		
Dividends	\$ 844,985	\$ 540,488
Interest	582,136	500,787
Securities lending revenue, note 8	<u>21,959</u>	<u>2,644</u>
	<u>1,449,080</u>	<u>1,043,919</u>
Expenses		
Management fees, notes 4 and 7	1,092,647	1,528,658
Servicing fees, notes 4 and 7	642,427	870,042
Administration fees	212,345	254,655
Custodial fees	63,331	110,932
Audit fees	59,999	70,136
Operating costs, notes 4 and 7	39,598	76,674
Compensatory dividends	13,219	43,849
Legal fees	9,152	38,314
Independent review committee	4,000	4,000
Securityholder reporting costs	<u>3,579</u>	<u>14,573</u>
	<u>2,140,297</u>	<u>3,011,833</u>
Net investment loss for the year	<u>(691,217)</u>	<u>(1,967,914)</u>
Net realized and unrealized gains (losses) on investments		
Net realized gain (loss) on the sale of investments	1,895,661	(8,048,707)
Transaction costs, notes 6 and 7	(885,215)	(1,481,478)
Change in the unrealized appreciation (depreciation) of the value of investments	<u>5,295,436</u>	<u>6,269,971</u>
Net gain (loss) on investments for the year	<u>6,305,882</u>	<u>(3,260,214)</u>
Net increase (decrease) in net assets from operations for the year	<u>\$ 5,614,665</u>	<u>\$ (5,228,128)</u>
Increase (decrease) in net assets from operations applicable to outstanding shares allocated as follows:		
Increase (decrease) in net assets from operations, Series A	\$ 2,073,008	\$ (2,269,915)
Increase (decrease) in net assets from operations per share, Series A	<u>\$ 0.70</u>	<u>\$ (0.53)</u>
Increase (decrease) in net assets from operations, Series B	\$ 3,392,481	\$ (2,807,382)
Increase (decrease) in net assets from operations per share, Series B	<u>\$ 0.78</u>	<u>\$ (0.51)</u>
Increase (decrease) in net assets from operations, Series F	\$ 149,974	\$ (150,831)
Increase (decrease) in net assets from operations per share, Series F	<u>\$ 0.68</u>	<u>\$ (0.32)</u>
Increase (decrease) in net assets from operations, Series X	\$ (798)	\$ -
Increase (decrease) in net assets from operations per share, Series X	<u>\$ (0.11)</u>	<u>\$ -</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

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

	2013	2012
Series A		
Net assets, beginning of year	\$ 32,488,672	\$ 43,777,840
Net increase (decrease) in net assets from operations	2,073,008	(2,269,915)
Shareholder transactions		
Proceeds from the issuance of shares	193,860	1,950,739
Aggregate amounts paid on redemption of shares	(13,177,941)	(10,969,992)
	(12,984,081)	(9,019,253)
Net decrease in net assets for the year	(10,911,073)	(11,289,168)
Net assets, end of year	\$ 21,577,599	\$ 32,488,672
Series B		
Net assets, beginning of year	\$ 43,169,373	\$ 55,764,464
Net increase (decrease) in net assets from operations	3,392,481	(2,807,382)
Shareholder transactions		
Proceeds from the issuance of shares	272,890	899,821
Aggregate amounts paid on redemption of shares	(10,070,764)	(10,687,530)
	(9,797,874)	(9,787,709)
Net decrease in net assets for the year	(6,405,393)	(12,595,091)
Net assets, end of year	\$ 36,763,980	\$ 43,169,373

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

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

	2013	2012
Series F		
Net assets, beginning of year	\$ 2,607,821	\$ 6,495,107
Net increase (decrease) in net assets from operations	149,974	(150,831)
Shareholder transactions		
Proceeds from the issuance of shares	123,265	393,179
Aggregate amounts paid on redemption of shares	(1,622,556)	(4,129,634)
	(1,499,291)	(3,736,455)
Net decrease in net assets for the year	(1,349,317)	(3,887,286)
Net assets, end of year	\$ 1,258,504	\$ 2,607,821
Series X		
Net assets, beginning of year	\$ -	\$ -
Net decrease in net assets from operations	(798)	-
Shareholder transactions		
Proceeds from the issuance of shares	67,719	-
Aggregate amounts paid on redemption of shares	(66,921)	-
	798	-
Net increase (decrease) in net assets for the year	-	-
Net assets, end of year	\$ -	\$ -

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

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

	2013	2012
Total		
Net assets, beginning of year	\$ 78,265,866	\$ 106,037,411
Net increase (decrease) in net assets from operations	<u>5,614,665</u>	<u>(5,228,128)</u>
Shareholder transactions		
Proceeds from the issuance of shares	657,734	3,243,739
Aggregate amounts paid on the redemption of shares	<u>(24,938,182)</u>	<u>(25,787,156)</u>
	<u>(24,280,448)</u>	<u>(22,543,417)</u>
Net decrease in net assets for the year	<u>(18,665,783)</u>	<u>(27,771,545)</u>
Net assets, end of year	<u>\$ 59,600,083</u>	<u>\$ 78,265,866</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Long Positions (93.4%)			
Consumer Discretionary (12.4%)			
Amaya Gaming Group Inc.	183,900	\$ 742,738	\$ 1,537,405
Amaya Gaming Group Inc. Warrants April 30, 2015	33,000	-	176,550
Bauer Performance Sports Limited	113,000	1,183,497	1,448,660
BRP Inc/CA Subordinate Voting Shares	5,000	134,711	138,800
Committed Capital Acquisition Corporation	118,000	616,700	679,562
Committed Capital Acquisition Corporation Restricted	20,000	103,845	105,966
Committed Capital Acquisition Warrants October 13, 2016	88,000	-	92,728
DHX Media Limited	183,700	287,881	736,637
Lions Gate Entertainment Corporation	2,400	85,568	86,610
Magna International Inc.	7,253	609,836	640,268
Martinera International Inc.	112,300	1,073,380	1,235,300
MEGA Brands Inc.	700	9,888	10,948
MEGA Brands Inc. Warrants March 30, 2015	692,100	174,114	200,709
Virgin Gaming Limited Private Common	330,000	263,024	251,330
		<u>\$ 5,285,182</u>	<u>\$ 7,341,473</u>
Consumer Staples (0.3%)			
Alimentation Couche-Tard Inc. 'B'	2,000	\$ 129,248	\$ 141,000
Crumbs Bake Shop Inc.	6,605	6,808	8,820
		<u>\$ 136,056</u>	<u>\$ 149,820</u>
Corporate Bonds (10.0%)			
Advantage Oil & Gas Limited 5.00%, January 30, 2015	700,000	\$ 697,450	\$ 701,750
American Apparel Inc. 13.00%, April 15, 2020	500,000	493,172	507,955
Atlantic Power Corporation 5.60%, June 30, 2017	450,000	392,383	360,540
Canwel Building Materials Group Ltd. 5.85%, April 30, 2017	350,000	280,000	290,500
Crumbs Bake Shop Inc. 6.50% Convertible Note, May 7, 2018	630,000	633,306	657,277
Delavaco Properties Inc. Secured Senior Note 7.50%, June 30, 2016	500,000	512,973	521,648
Estrella International Energy Services Limited 12.00% Convertible Debentures, December 31, 2015	1,100,000	1,100,000	1,100,000
First Cap Realty Inc. 5.25% Convertible, March 31, 2018	450,000	459,563	450,000
Gran Colombia Gold Corporation 5.00%, August 11, 2018	1,042,000	868,656	576,171
Ivanhoe Energy Inc. 5.75%, June 30, 2016	100,000	77,625	65,080
Just Energy Exchange Corporation 6.00% Convertible Debentures, September 30, 2014	550,000	522,500	548,900
Oak Point Energy Limited 15.00% Convertible Debentures, March 31, 2014	156,000	156,000	156,000
		<u>\$ 6,193,628</u>	<u>\$ 5,935,821</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Energy (14.9%)			
African Petroleum Corporation Limited	620,453	\$ 595,025	\$ 82,721
Bellatrix Exploration Limited	70,699	506,863	552,159
Bonterra Energy Corporation	9,000	458,248	522,450
Canadian Natural Resources Limited	24,300	753,168	804,400
Caracal Energy Inc. Restricted	20,500	70,200	164,539
Caracal Energy Inc. Units	13,621	27,242	109,326
Coastal Energy Company Warrants January 23, 2014	4	-	1,360,775
Crew Energy Inc.	27,600	163,725	166,704
Estrella International Energy Services Limited Warrants January 24, 2016	11	-	236
Gran Tierra Energy Inc.	10,400	74,755	81,640
Interex Oilfield Services Limited Special Warrants	203,500	-	-
Lipari Energy Inc. Warrants March 11, 2014	164,750	-	824
Long Run Exploration Limited	2,400	13,458	13,680
Parex Resources Inc.	201,730	1,028,487	1,208,363
Petroamerica Oil Corporation Warrants October 8, 2014	1,348,936	-	20,234
Precision Drilling Corporation	40,014	370,814	440,954
Raging River Exploration Inc.	86,000	470,990	485,900
RMP Energy Inc.	84,260	361,251	521,569
Strad Energy Services Limited	42,078	133,926	153,164
Suncor Energy Inc.	30,950	987,713	1,173,063
Trinidad Drilling Limited	20,800	140,338	210,080
Verano Energy Limited	358,181	1,019,426	78,800
Weatherford International Limited	2	24	34
Whitecap Resources Inc. Warrants	61,541	<u>545,276</u>	<u>744,646</u>
		<u>\$ 7,720,929</u>	<u>\$ 8,896,261</u>
Financials (19.8%)			
Altus Group Limited	12,707	\$ 170,776	\$ 177,262
American International Group Inc.	12,500	618,890	673,448
Bank of America Corporation	107,200	1,569,257	1,561,308
Bank of Montreal	8,400	580,643	609,840
Canadian Imperial Bank of Commerce	6,000	491,967	532,200
Citigroup Inc.	9,700	507,922	493,754
Delavaco Properties Inc. Warrants June 3, 2017	77,000	-	-
First Capital Realty Inc.	721	11,813	13,036
Great-West Lifeco Inc.	27,800	833,356	893,770
JPMorgan Chase & Company	700	38,293	37,647
Manulife Financial Corporation	60,478	977,573	1,115,819

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Financials (19.8%) (continued...)			
Royal Bank of Canada	8,300	545,503	581,166
Sun Life Financial Inc.	46,200	1,381,804	1,622,544
The Bank of Nova Scotia	18,146	1,079,868	1,150,275
The Toronto-Dominion Bank	20,630	1,826,512	1,972,641
Wells Fargo & Company	8,500	<u>372,992</u>	<u>378,665</u>
		<u>\$ 11,007,169</u>	<u>\$ 11,813,375</u>
Health Care (0.3%)			
IMRIS Inc.	85,100	\$ 181,757	\$ 131,905
Inviro Medical Inc. Private Placement	92,500	101,339	-
Oncolytics Biotech Inc.	13,300	<u>54,104</u>	<u>36,974</u>
		<u>\$ 337,200</u>	<u>\$ 168,879</u>
Industrials (11.1%)			
AG Growth International Inc.	4,500	\$ 158,167	\$ 170,460
Air Canada 'A'	2,100	6,014	11,991
Air Canada 'B'	157,200	478,782	899,184
Bombardier Inc. 'B'	97,100	482,076	460,254
Boyd Group Income Fund	48,200	905,525	1,274,890
CAE Inc.	73,000	750,764	871,620
Dirtt Environmental Solutions Limited	116,985	168,790	175,478
GENIVAR Inc.	26,053	610,689	776,119
New Flyer Industries Inc.	50,000	494,829	540,500
Superior Plus Corporation	32,700	366,047	363,624
Vicwest Inc.	84,064	<u>1,106,497</u>	<u>1,055,003</u>
		<u>\$ 5,528,180</u>	<u>\$ 6,599,123</u>
Information Technology (14.4%)			
Absolute Software Corporation	59,913	\$ 381,628	\$ 442,158
Avigilon Corporation	19,700	323,309	383,165
BSM Technologies Inc.	127,900	183,779	358,120
C.O.R.E. Holdings Inc. 'B' Private Placement	1,292	208,156	-
CGI Group Inc. 'A'	1,400	45,774	48,944
COM DEV International Limited	331,900	1,236,625	1,377,385

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Information Technology (14.4%) (continued...)			
Embotics Corporation Preferred Class 'A'	56,874	244,292	239,440
Embotics Corporation Private Placement	100,224	1,046,893	421,943
Facebook Inc. 'A'	9,400	316,953	492,703
Mobidia Technology Inc. 'A' Series 3 Preferred	301,946	332,141	377,432
NVIDIA Corporation	4,400	67,080	69,684
Pure Technologies Limited	33,496	112,302	189,252
QHR Corp.	404,100	224,275	363,690
Qualcomm Inc.	5,000	325,665	362,389
Redknee Solutions Inc.	135,587	176,894	751,152
Redline Communications Group Inc.	2,200	9,772	7,370
Redline Communications Group Inc. Restricted	48,000	288,000	157,584
Redline Communications Group Inc. Warrants	24,000	-	4,286
Sandvine Corporation	204,000	394,605	534,480
Sierra Wireless Inc.	1,900	20,932	35,378
Sphere 3D Corporation	11,400	9,633	47,994
Sphere 3D Corporation Warrants December 27, 2014	70,000	-	238,814
Symbility Solutions Inc.	60,000	30,150	27,600
The Descartes Systems Group Inc.	96,151	584,267	1,226,887
ViXS Systems Inc.	112,590	394,065	407,576
		<u>\$ 6,957,190</u>	<u>\$ 8,565,426</u>
Materials (8.2%)			
Barrick Gold Corporation	4,500	\$ 96,538	\$ 91,033
Canfor Corporation	4,600	98,737	99,360
Conifex Timber Inc.	2,000	13,448	16,000
Continental Gold Limited	400	1,771	1,572
E.I. du Pont de Nemours and Company	11,340	692,361	724,056
EcoSynthetix Inc.	61,000	173,924	198,250
Govi Highpower Exploration Inc. Special Warrants	561,880	1,223,847	451,380
Guatavita Gold Corporation Restricted	820,000	205,000	41,000
High Power Exploration Inc. Private Placement	196,880	-	-
International Forest Products Limited 'A'	43,731	321,783	516,026
Intertape Polymer Group Inc.	97,900	913,031	1,465,563
Kombat Copper Inc. Warrants March 1, 2015	330,000	-	-
Lundin Mining Corporation	50,200	227,808	234,936
LyondellBasell Industries NV 'A'	8,981	650,156	698,991

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Materials (8.2%) (continued...)			
Solvista Gold Corporation Warrants April 27, 2014	333,500	-	-
Southeast Asia Mining Corporation Special Warrants Private Placement	32,725	12,411	-
TiCan Titate Metals Company Inc. 'A'	842,167	137,639	8,422
Tolima Gold Inc. Warrants December 8, 2013	220,000	-	-
Unigold Inc. Warrants March 8, 2014	110,000	-	-
Western Forest Products Inc.	240,000	316,800	355,200
Western Forest Products Inc. Warrants	124,800	16,224	15,600
Zincore Metals Inc. Warrants June 15, 2014	154,600	-	-
		<u>\$ 5,101,478</u>	<u>\$ 4,917,389</u>
Telecommunication Services (1.3%)			
QuStream Corporation	787,280	\$ 263,528	\$ 15,746
QuStream Corporation Warrants March 7, 2014	460,000	-	-
Verizon Communications Inc.	9,200	447,497	484,812
XMG Studio Inc. Restricted	463,160	<u>440,002</u>	<u>301,054</u>
		<u>\$ 1,151,027</u>	<u>\$ 801,612</u>
Utilities (0.7%)			
Trilliant Inc. Restricted February 2, 2008	833,056	\$ 499,459	\$ 424,859
U.S. Geothermal Inc. Warrants September 16, 2015	205,550	-	<u>5,762</u>
		<u>\$ 499,459</u>	<u>\$ 430,621</u>
Total Long Positions (93.4%)		<u>\$ 49,917,498</u>	<u>\$ 55,619,800</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Short Positions (-0.3%)			
Consumer Staples (0.0%)			
Alliance Grain Traders Inc.	(2)	\$ (36)	\$ (33)
Written Options (-0.3%)			
Alimentation Couche-Tard Inc. Nov/68 WPO	(48)	\$ (2,592)	\$ (1,200)
Alimentation Couche-Tard Inc. Nov/70 WPO	(48)	(5,904)	(5,040)
Barrick Gold Corporation Nov/17 WPO	(55)	(4,860)	(402)
Barrick Gold Corporation Nov/19 WPO	(66)	(2,752)	(3,099)
Barrick Gold Corporation Nov/20 WPO	(110)	(7,001)	(11,591)
Canadian Imperial Bank of Commerce Nov/80 WPO	(110)	(8,030)	(1,100)
Canadian Imperial Bank of Commerce Nov/86 WPO	(44)	(2,772)	(880)
Canadian Natural Resources Limited Nov/32 WCO	(65)	(3,398)	(4,747)
Canfor Corporation Nov/21 WPO	(110)	(5,390)	(2,200)
Canfor Corporation Nov/22 WPO	(132)	(5,148)	(9,240)
Cenovus Energy Inc. Nov/30 WPO	(98)	(3,822)	(1,372)
Cenovus Energy Inc. Nov/31 WPO	(110)	(7,040)	(4,950)
CGI Group Inc. 'A' Nov/34 WPO	(55)	(2,585)	(2,750)
CGI Group Inc. 'A' Nov/35 WPO	(55)	(4,620)	(5,610)
CGI Group Inc. 'A' Nov/36 WPO	(55)	(5,665)	(8,800)
Citigroup Inc. Nov/48 WPO	(63)	(11,396)	(2,892)
Citigroup Inc. Nov/52.5 WCO	(15)	(636)	(63)
Eldorado Gold Corporation Nov/7 WPO	(154)	(2,002)	(4,620)
Facebook Inc. 'A' Nov/50 WPO	(48)	(11,603)	(9,114)
Facebook Inc. 'A' Nov/55 WCO	(16)	(4,409)	(935)
Goldcorp Inc. Nov/26 WPO	(229)	(26,437)	(27,236)
JPMorgan Chase & Co. Nov/50 WPO	(110)	(3,510)	(3,672)
JPMorgan Chase & Co. Nov/52.5 WPO	(88)	(7,556)	(12,303)
Lions Gate Entertainment Corporation Nov/40 WCO	(20)	(1,214)	(313)
LyondellBasell Industries Dec/80 WCO	(50)	(10,951)	(2,869)
Magna International Inc. Nov/92 WCO	(50)	(4,700)	(3,250)
Qualcomm Inc. Nov/70 WCO	(36)	(2,380)	(5,145)
Royal Bank of Canada Dec/70 WCO	(72)	(7,128)	(10,008)
Sun Life Financial Dec/35 WCO	(75)	(4,800)	(5,700)
Suncor Energy Inc. Nov/37 WCO	(127)	(10,585)	(5,035)
The Toronto-Dominion Bank Nov/93 WPO	(33)	(2,475)	(825)
Verizon Communications Inc. Dec/52.5 WCO	(80)	(6,100)	(3,839)
Verizon Communications Inc. Nov/49 WPO	(80)	(2,241)	(1,586)
Wells Fargo & Company Nov/39 WPO	(88)	(6,628)	(367)
		<u>\$ (198,330)</u>	<u>\$ (162,753)</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

STATEMENT OF INVESTMENT PORTFOLIO AS AT OCTOBER 31, 2013

	Number of Shares / Units	Cost \$	Fair Value \$
Total Short Positions (-0.3%)		<u>\$ (198,366)</u>	<u>\$ (162,786)</u>
Transaction costs, note 2		<u>\$ (118,160)</u>	
Total Investments (93.1%)		<u>\$ 49,600,972</u>	55,457,014
Cash and cash equivalents (4.5%)			2,702,003
Other assets less other liabilities (2.4%)			<u>1,441,066</u>
Net assets (100.0%)			<u>\$ 59,600,083</u>

See accompanying notes to the financial statements

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

1. THE FUND

Front Street Tactical Equity 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 Tactical Equity Class on June 27, 2012. Reference is made to the Fund's Simplified Prospectus for additional information on the Fund's structure. Series A commenced operations on June 28, 2006. Series B commenced operations on June 22, 2006. Series F commenced operations on August 3, 2006. Series X commenced operations on February 11, 2013.

The foregoing financial statements and accompanying notes to the financial statements presented herein are for the Fund. Separate financial statements of each of the other classes of shares of the Corporation have also been prepared as at October 31, 2013.

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

The Fund's investment objective is to provide shareholders with long term capital growth through the selection, management and strategic trading of long and short positions in equity, debt and derivative securities. The Fund will invest primarily in Canadian equities and may focus its assets in specific industry sectors and asset classes based on analysis of business cycles, industry sectors and market outlook. The Fund may also invest in foreign equities.

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Financial instruments

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

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

b) Valuation of investments

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

b) Valuation of investments (continued...)

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

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

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

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

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

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

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

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

c) Financial instruments disclosure and presentation and fair value measurements

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

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

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

See note 12 for additional details.

d) Transaction costs

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

e) Cash and cash equivalents

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

f) Investment transactions and income recognition

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

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

g) Securities lending, repurchase and reverse repurchase transactions

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

h) Foreign currency translation

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

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

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

j) Net assets per share

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

k) Capital disclosures

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

l) General standards on financial statement presentation

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

m) Estimates

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

n) Future accounting pronouncements

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

International financial reporting standards ("IFRS")

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

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

- (a) IAS 32, Financial Instruments: Disclosure and Presentation and IFRS 9, Financial Instruments, require shareholders' equity to be classified as liability unless certain criteria are met. The Fund's shareholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's shareholder structure and has determined the liability treatment is the most appropriate classification. IFRS 9 defines an investment entity and introduces exceptions to the consolidation requirements.
- (b) IFRS 7, Financial Instruments: Disclosures requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

n) Future accounting pronouncements (Continued...)

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

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

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

3. SHARES ISSUED AND OUTSTANDING

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

Series A shares

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

Series B shares

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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

Series F shares

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

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

Series X shares

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

The following share transactions took place during the year:

	2013	2012
Shares outstanding, beginning of the year:		
Series A	3,714,060	4,736,818
Series B	4,937,796	6,036,717
Series F	304,287	725,107
Series X	-	-
Shares issued during the year:		
Series A	22,255	213,800
Series B	31,482	99,646
Series F	14,371	46,028
Series X	7,647	-
Shares redeemed during the year:		
Series A	1,492,102	1,236,558
Series B	1,142,467	1,198,567
Series F	186,380	466,848
Series X	7,647	-
Shares outstanding, end of the year:		
Series A	2,244,213	3,714,060
Series B	3,826,811	4,937,796
Series F	132,278	304,287
Series X	-	-

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

4. FEES AND EXPENSES

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

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

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

5. INCOME TAX AND DISTRIBUTION

The Fund qualifies as a mutual fund corporation under the Income Tax Act (Canada). The Corporation will earn three types of income, Canadian dividends, taxable capital gains and other net taxable income. The income of the Fund, including taxable capital gains, will be subject to 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.

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

5. INCOME TAX AND DISTRIBUTION (Continued...)

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

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

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

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

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

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

6. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the year ended October 31, 2013 was \$885,215 (2012 - \$1,481,478).

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

7. RELATED PARTY TRANSACTIONS

During the years ended October 31, 2013 and 2012, fees paid to the Manager were as follows:

	2013	2012
Management fees, note 4	<u>\$ 1,092,647</u>	<u>\$ 1,528,658</u>
Servicing fees, note 4	<u>\$ 642,427</u>	<u>\$ 870,042</u>
Operating costs, note 4	<u>\$ 39,598</u>	<u>\$ 76,674</u>

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

	2013	2012
Management fees payable	\$ 85,678	\$ 120,569
Servicing fees payable	50,285	69,550
Operating costs payable (receivable)	<u>(11,695)</u>	<u>17,659</u>
	<u>\$ 124,268</u>	<u>\$ 207,778</u>

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

	2013	2012
Series B shares held by the Partners of the Manager	1,464,518.52	1,468,164.46
Percentage of Series B shares held by the Partners of the Manager	38.27%	29.73%
Series F shares held by the Partners of the Manager	-	56,197.94
Percentage of Series F shares held by the Partners of the Manager	Nil%	18.47%
Series F shares held by the relatives of the Partners of the Manager	7,602.03	8,497.59
Percentage of Series F shares held by the relatives of the Partners of the Manager	5.75%	2.79%

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

7. RELATED PARTY TRANSACTIONS (Continued...)

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of the Manager provided it determines that these affiliates' trade execution abilities and costs are comparable to those non-affiliated, qualified brokerage firms, on an execution only basis. During the year ended October 31, 2013, Tuscarora Capital Inc., a company under common control to the Manager, received \$431,305 (2012 - \$802,450) in commissions on portfolio transactions for the Fund.

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

8. SECURITIES LENDING

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with its custodian, NBCN Inc. The aggregate fair value of all securities loaned will not exceed 50% of the net assets of the Fund. The Fund receives collateral (in the form of obligations of, or guaranteed by, the Government of Canada, or a province thereof, or by the United States government or its agencies and/or cash) against the loaned securities. Collateral is maintained in an amount representing at least 102% of the fair value of the loaned securities during the year the loan is outstanding. The fair value of the loaned securities is determined daily at the close of business of the Fund and any additional collateral required is delivered to the Fund on the next business day. As at October 31, 2013 and October 31, 2012, the aggregate fair values of the Fund's securities loaned and the collateral received were as follows.

	2013	2012
Value of securities loaned	<u>\$ 349,447</u>	<u>\$ 2,190,447</u>
Value of collateral received	<u>\$ 367,070</u>	<u>\$ 2,266,470</u>

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

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

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

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

As at October 31, 2013

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 21,638,982	\$ (61,383)	\$ 21,577,599	\$ 9.64	\$ 9.61
Series B	36,868,695	(104,715)	36,763,980	9.63	9.61
Series F	1,262,078	(3,574)	1,258,504	9.54	9.51
Total	\$ 59,769,755	\$ (169,672)	\$ 59,600,083		

As at October 31, 2012

	Transactional NAV	Section 3855 Adjustment	GAAP NA	Transactional NAV per share	GAAP NA per share
Series A	\$ 32,657,723	\$ (169,051)	\$ 32,488,672	\$ 8.79	\$ 8.75
Series B	43,394,031	(224,658)	43,169,373	8.79	8.74
Series F	2,621,351	(13,530)	2,607,821	8.61	8.57
Total	\$ 78,673,105	\$ (407,239)	\$ 78,265,866		

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

10. FINANCIAL INSTRUMENTS

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

As at October 31,	2013	2012
Assets		
Held for trading	\$ 55,619,800	\$ 64,415,604
Cash and cash equivalents	2,702,003	15,878,658
Loans and receivables	<u>2,874,689</u>	<u>1,900,686</u>
Total Assets	<u>\$ 61,196,492</u>	<u>\$ 82,194,948</u>
Liabilities		
Held for trading	\$ 162,786	\$ 2,057,858
Other financial liabilities at amortized cost	<u>1,433,623</u>	<u>1,871,224</u>
Total liabilities	<u>\$ 1,596,409</u>	<u>\$ 3,929,082</u>
Net Assets	<u>\$ 59,600,083</u>	<u>\$ 78,265,866</u>

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

Risk Management

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

10. FINANCIAL INSTRUMENTS (Continued...)

The Fund's investment activities expose it to various types of risk that are associated with the financial instruments and markets in which it invests. The Statement of Investment Portfolio presents the securities held by the Fund as at October 31, 2013, and groups the securities by asset type, sector and/or market segment. Significant risks that are relevant to the Fund are discussed below.

i) Market price risk

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

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

ii) Currency risk

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

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

Currency	Investments, at fair value	Cash	Total	Percentage of GAAP NA
Australian Dollar	\$ 82,721	\$ -	\$ 82,721	0.10%
United States Dollar	<u>13,013,860</u>	<u>1,615,961</u>	<u>14,629,821</u>	<u>24.60%</u>
	<u>\$ 13,096,581</u>	<u>\$ 1,615,961</u>	<u>\$ 14,712,542</u>	<u>24.70%</u>

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

10. FINANCIAL INSTRUMENTS (Continued...)

iii) Interest rate risk

The Fund may invest in fixed and floating rate securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the expiry of contracts or sale of securities. The value of fixed interest securities may be affected by interest rate movements or the expectation of such movement in the future. Interest payable on bank overdraft or broker margin account positions will be affected by fluctuations in interest rates. As at October 31, 2013, there were 10.0% (2012 – 5.0%) of investments owned which are held in bonds. There were short-term investments representing Nil% (2012 – 5.1%) of the net assets all maturing in less than 30 days. The remaining portion of the Fund's investments are substantially non-interest bearing equity investments.

Financial assets	Floating Rate Financial Assets	Fixed Rate Financial Assets	Non-Interest Bearing	Total
Held for trading	\$ -	\$ 5,935,821	\$ 49,683,979	\$ 55,619,800
Other receivables	-	-	2,874,689	2,874,689
Cash and cash equivalents	<u>2,702,003</u>	<u>-</u>	<u>-</u>	<u>2,702,003</u>
Total	<u>\$ 2,702,003</u>	<u>\$ 5,935,821</u>	<u>\$ 52,558,668</u>	<u>\$ 61,196,492</u>
Financial liabilities				
Held for trading	\$ -	\$ -	\$ 162,786	\$ 162,786
Other financial liabilities	<u>-</u>	<u>-</u>	<u>1,433,623</u>	<u>1,433,623</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,596,409</u>	<u>\$ 1,596,409</u>
GAAP NA				<u>\$ 59,600,083</u>

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

10. FINANCIAL INSTRUMENTS (Continued...)

iv) Liquidity risk

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

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

Financial assets	0 - 12 months	1 - 3 years	3 - 5 years	Beyond 5 years	Indefinite maturity	Total
Held for trading	\$ 2,086,734	\$ 3,103,277	\$ 2,334,488	\$ 507,955	\$ 47,587,346	\$ 55,619,800
Other receivables	2,874,689	-	-	-	-	2,874,689
Cash and cash equivalents	<u>2,702,003</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,702,003</u>
Total	<u>\$ 7,663,426</u>	<u>\$ 3,103,277</u>	<u>\$ 2,334,488</u>	<u>\$ 507,955</u>	<u>\$ 47,587,346</u>	<u>\$ 61,196,492</u>
Financial liabilities						
Held for trading	\$ 162,786	\$ -	\$ -	\$ -	\$ -	\$ 162,786
Other financial liabilities	<u>1,433,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,433,623</u>
Total	<u>\$ 1,596,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,596,409</u>
GAAP NA						<u>\$ 59,600,083</u>

Certain of the Fund's investments are in private securities which are thinly traded. As at October 31, 2013, the fair value of such assets was 8.7% (2012 - 12.3%) of the total net assets.

v) Cash flow risk

The risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. In the case of a floating rate debt instrument, for example, such fluctuations could result from a change in the effective interest rate of the financial instrument, usually without a corresponding change in its fair value.

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

10. FINANCIAL INSTRUMENTS (Continued...)

vi) Credit risk

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

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

To partially mitigate credit risk with respect to its securities lending the Fund receives collateral against the securities loaned (note 8). As at October 31, 2013, the Fund has loaned securities with an aggregate fair value of \$349,447 (2012 - \$2,190,447) and received collateral with an aggregate fair value of \$367,070 (2012 - \$2,266,470).

As at A October 31, 2013, the Fund had 10.0% (2012 - 5.0%) of holdings in debt instruments for which the following credit rating have been obtained from Standard and Poor's, Moody's or DBRS:

Debt Instruments by Credit Rating	Percentage of GAAP NA
B-	0.9%
Not available or not rated	9.1%

11. CAPITAL MANAGEMENT

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

The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's prospectus, while maintaining sufficient liquidity to meet participating shareholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2012.

The Fund does not have any externally imposed capital requirements.

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

12. FAIR VALUE HIERARCHY

The following is a summary of the inputs used as of October 31, 2013 in valuing the Fund's investments and derivatives at fair value as discussed in note 2(c):

Assets at fair value as at October 31, 2013	Quoted price in active market for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Investments, at fair value	<u>\$ 45,022,848</u>	<u>\$ 5,390,890</u>	<u>\$ 5,206,062</u>	<u>\$ 55,619,800</u>
Liabilities at fair value as at October 31, 2013	Level 1	Level 2	Level 3	Total
Obligations from portfolio assets sold short, at fair value	<u>\$ 162,786</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,786</u>

During the year ended October 31, 2013 reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Investments, at fair value Equities	Investments, at fair value Bonds
Beginning balance at November 1, 2012	\$ 7,029,338	\$ 2,595,599
Purchases	-	633,305
Sales	(52,214)	(865,284)
Transfers in	-	-
Transfers out	(1,276,425)	-
Gain (losses)		
Realized	(760,393)	(4,075)
Unrealized	<u>(2,169,169)</u>	<u>75,380</u>
Balance at October 31, 2013	<u>\$ 2,771,137</u>	<u>\$ 2,434,925</u>

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

FRONT STREET TACTICAL EQUITY CLASS

NOTES TO THE FINANCIAL STATEMENTS OCTOBER 31, 2013 AND 2012

13. SUBSEQUENT EVENT

- a) Pursuant to the press release dated December 30, 2013, the Manager decided not to proceed with the mergers of Front Street Tactical Equity Class and Front Street Value Class into Front Street Growth and Income Class and Front Street Resource Growth and Income Class, respectively, each a mutual fund class within Front Street Mutual Funds Limited.
- b) Subsequent to the year ended October 31, 2013, Front Street Mutual Funds Limited filed the preliminary simplified prospectus and the preliminary annual information form in respect of an offering of Series A, Series B, Series F and Series X shares of the Fund.