



**FRONT SELECT EQUITY FUND  
(*FORMERLY AURION II EQUITY FUND*)**

**UNAUDITED INTERIM FINANCIAL  
STATEMENTS**

**JUNE 30, 2016**

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

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



**FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)  
STATEMENTS OF FINANCIAL POSITION  
AS AT JUNE 30, 2016 (UNAUDITED) AND DECEMBER 31, 2015 (AUDITED)**

	2016	2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Financial assets at fair value through profit or loss*	\$ 29,049,740	\$ 30,307,539
Cash and cash equivalents	3,955,074	4,731,871
Margin deposited on derivatives	6,031	284,305
Receivables for investments sold	972,192	1,351,143
Subscriptions receivable	1,500,000	-
Dividends receivable	16,175	68,730
	<u>35,499,212</u>	<u>36,743,588</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Financial liabilities at fair value through profit or loss*	4,738,605	1,996,380
Management fees payable	108,923	156,480
Dividends payable	646	10,139
Payable for investments purchased	3,107,964	-
Redemptions payable	262,719	4,814,469
Accrued expenses	43,052	38,463
	<u>8,261,909</u>	<u>7,015,931</u>
<b>Net assets attributable to unitholders of redeemable units</b>	<u>\$ 27,237,303</u>	<u>\$ 29,727,657</u>
<b>Net assets attributable to unitholders of redeemable units</b>		
Series A	\$ 1,588,858	\$ 2,340,630
Series F	<u>\$ 25,648,445</u>	<u>\$ 27,387,027</u>
<b>Number of redeemable units outstanding, note 7</b>		
Series A	165,478	262,625
Series F	<u>2,104,214</u>	<u>2,432,302</u>
<b>Net Assets Attributable to Unitholders of Redeemable Units per Unit</b>		
Series A	\$ 9.60	\$ 8.91
Series F	<u>\$ 12.19</u>	<u>\$ 11.26</u>

Approved on behalf of Front Street Capital 2004, The Manager:



Nevin Markwart  
Chief Executive Officer



Susan Johnson  
Chief Financial Officer

**FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)**  
**STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>Investment income</b>		
Dividends	\$ 259,809	\$ 382,387
Interest income for distribution purposes	-	219
Foreign currency gain (loss) on cash and cash equivalents and other net assets	(8,754)	40,994
Other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss ("FVTPL")		
Net realized gain (loss) on financial assets and liabilities at FVTPL	2,817,466	3,648,630
Derivative income (loss)	3,299	(400,049)
Net realized gain (loss) on foreign exchange forward contracts	-	34,937
Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL and derivatives	43,495	1,643,519
	<u>3,115,315</u>	<u>5,350,637</u>
<b>Expenses</b>		
Management fees, note 5	236,296	379,097
Performance fees, note 11	-	856,671
Administration fees	39,408	66,893
Withholding tax (tax reclaims)	527	(21,370)
Dividends paid	169,129	48,439
Audit fees	10,804	29,159
Legal fees	1,233	846
Custodial fees	12,376	6,085
Unitholder reporting costs	2,603	6,977
Trustee fees	1,247	1,636
Security borrowing fees	13,737	12,964
Transaction costs	667,148	499,941
	<u>1,154,508</u>	<u>1,887,338</u>
<b>Increase (decrease) in net assets attributable to unitholders of redeemable units from operations</b>	<u>\$ 1,960,807</u>	<u>\$ 3,463,299</u>
<b>Increase (decrease) in net assets attributable to unitholders of redeemable units from operations</b>		
Series A	\$ 113,080	\$ 414,208
Series F	\$ 1,847,727	\$ 3,049,091
<b>Increase (decrease) in net assets attributable to unitholders of redeemable units from operations per unit</b>		
Series A	\$ 0.53	\$ 0.79
Series F	\$ 0.85	\$ 0.98

See accompanying notes which are an integral part of these financial statements.

**FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)**

**STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE  
TO UNITHOLDERS OF REDEEMABLE UNITS (UNAUDITED)  
FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>Net assets attributable to unitholders of redeemable units, beginning of period</b>		
Series A	\$ 2,340,630	\$ 5,607,378
Series F	27,387,027	38,105,762
	<u>\$ 29,727,657</u>	<u>\$ 43,713,140</u>
 <b>Increase (decrease) in net assets attributable to unitholders of redeemable units from operations</b>		
Series A	113,080	414,208
Series F	1,847,727	3,049,091
	<u>1,960,807</u>	<u>3,463,299</u>
 <b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued		
Series A	-	49,000
Series F	2,028,201	-
	<u>2,028,201</u>	<u>49,000</u>
 Redemption of redeemable units		
Series A	(864,852)	(1,664,772)
Series F	(5,614,510)	(2,709,921)
	<u>(6,479,362)</u>	<u>(4,374,693)</u>
 <b>Net increase (decrease) in net assets attributable to unitholders of redeemable units</b>		
Series A	(751,772)	(1,201,564)
Series F	(1,738,582)	339,170
	<u>(2,490,354)</u>	<u>(862,394)</u>
 <b>Net assets attributable to unitholders of redeemable units, end of period</b>		
Series A	1,588,858	4,405,814
Series F	25,648,445	38,444,932
	<u>\$ 27,237,303</u>	<u>\$ 42,850,746</u>

*See accompanying notes which are an integral part of these financial statements.*

**FRONT STREET SELECT EQUITY FUND (FORMERLY AURION II EQUITY FUND)  
STATEMENTS OF CASH FLOWS (UNAUDITED)  
FOR THE PERIODS ENDED JUNE 30, 2016 AND 2015**

	2016	2015
<b>Cash Flow from Operating Activities</b>		
Increase (decrease) in net assets attributable to unitholders of redeemable units from operations	\$ 1,960,807	\$ 3,463,299
Adjustments for:		
Foreign currency (gain) loss on cash and other net assets	8,754	(40,994)
Net realized loss (gain) loss on financial assets and liabilities at FVTPL	(2,817,466)	(3,741,612)
Change in unrealized (appreciation) depreciation on financial assets and liabilities at FVTPL	(43,495)	(1,040,228)
Purchases of financial assets at FVTPL	(61,953,097)	(111,582,298)
Proceeds from sales of financial assets at FVTPL	72,300,997	118,341,494
(Increase) Decrease in margin deposited on derivatives	278,274	213,211
(Increase) Decrease in dividends receivable	52,555	(2,499)
Increase (Decrease) in other payables and accrued liabilities	(52,461)	610,205
<b>Net cash generated by operating activities</b>	<u>9,734,868</u>	<u>6,220,578</u>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable units issued	528,201	140,839
Amount paid on redemption of redeemable units	(11,031,112)	(4,300,883)
<b>Net cash used by financing activities</b>	<u>(10,502,911)</u>	<u>(4,160,044)</u>
Foreign currency gain (loss) on cash and other net assets	(8,754)	40,994
Net change in cash and cash equivalents	(768,043)	2,060,534
Cash and cash equivalents (bank indebtedness), beginning of period	4,731,871	(312,543)
<b>Cash and cash equivalents, end of period</b>	<u>\$ 3,955,074</u>	<u>\$ 1,788,985</u>
<b>Cash and cash equivalents comprise:</b>		
Cash at bank	<u>\$ 3,955,074</u>	<u>\$ 1,788,985</u>
Dividends received, net of withholding taxes <sup>(1)</sup>	\$ 311,837	\$ 379,888
Dividends paid at short position	(169,129)	(75,089)
Interest paid <sup>(1)</sup>	(4,738)	(2,850)

<sup>(1)</sup>Classified as operating items.

**FRONT STREET SELECT EQUITY FUND**  
**SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)**  
**AS AT JUNE 30, 2016**

	Number of Shares/units Par Value	Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Long Positions</b>				
<b>Consumer Discretionary</b>				
Adenyo Inc.	1,046,244	\$ 17,818.00	\$ -	
Diversified Royalty Corporation	454,000	1,225,800	989,720	
Gaming Nation Inc.	290,000	725,000	182,700	
NYX Gaming Group Limited	95,500	262,625	217,740	
Park Lawn Corporation	40,000	455,862	532,000	
Performance Sports Group Limited	200,000	923,060	776,000	
Shaw Communications Inc., 'B' NV	25,000	605,590	620,000	
The Intertrain Group Limited	100,000	1,168,750	1,045,000	
Thunderbird Films Inc.	250,000	500,000	425,000	
		<b>5,884,505</b>	<b>4,788,160</b>	<b>17.6%</b>
<b>Consumer Staples</b>				
Cott Corporation	50,000	978,936	901,781	
		<b>978,936</b>	<b>901,781</b>	<b>3.3%</b>
<b>Energy</b>				
Bonavista Energy Corporation	150,000	504,585	495,000	
Crescent Point Energy Corporation	25,000	503,460	510,250	
Gear Energy Limited	300,000	210,000	183,000	
Kelt Exploration Limited	169,025	804,000	799,488	
Mullen Group Limited	25,000	347,452	352,500	
Parex Resources Inc.	19,680	247,063	246,197	
PrairieSky Royalty Limited	500	12,328	12,260	
Precision Drilling Corporation	50,000	331,040	342,500	
Raging River Exploration Inc.	1	9	10	
RMP Energy Inc.	200,000	292,000	248,000	
Suncor Energy Inc.	27,500	962,500	985,600	
Tamarack Valley Energy Limited	100,000	404,000	367,000	
Tourmaline Oil Corporation	20,490	598,662	696,865	
Xtreme Drilling and Coil Services Corporation	120,500	290,611	314,505	
		<b>5,507,710</b>	<b>5,553,175</b>	<b>20.4%</b>
<b>Financials</b>				
Canadian Western Bank	50,000	1,225,000	1,232,500	
Manulife Financial Corporation	40,000	720,455	706,800	
Royal Bank of Canada	11,100	823,341	847,374	
The Toronto-Dominion Bank	10,000	573,462	554,800	
Tricon Capital Group Inc.	50,000	436,000	435,000	
		<b>3,778,258</b>	<b>3,776,474</b>	<b>13.9%</b>
<b>Health Care</b>				
Aphria Inc., Warrants December 11, 2018	192,500	30,781	111,650	
Concordia International Corporation	20,000	690,152	556,600	
Knight Therapeutics Inc.	100,000	800,000	830,000	
Prometic Life Sciences Inc.	151,080	463,348	421,513	
		<b>1,984,281</b>	<b>1,919,763</b>	<b>7.0%</b>
<b>Industrials</b>				
Birchcliff Energy Limited, Subscription Receipt	127,700	798,125	808,341	
Brookfield Business Partners L.P.	855	29,720	20,956	
Chorus Aviation Inc.	50,000	314,000	300,000	
MacDonald, Dettwiler and Associates Limited	12,000	1,035,854	1,011,240	
		<b>2,177,699</b>	<b>2,140,537</b>	<b>7.9%</b>

See accompanying notes which are an integral part of these financial statements.

**FRONT STREET SELECT EQUITY FUND**  
**SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)**  
**AS AT JUNE 30, 2016**

	Number of Shares/units Par Value	Average Cost	Fair Value	% of net assets
		\$	\$	%
<b>Information Technology</b>				
Baanto International Limited	74,627	500,000	59,702	
CGI Group Inc., 'A' SV	15,000	810,300	827,850	
D2L Inc., Pref. Series B	60,308	688,736	724,609	
Dealnet Capital Corporation, Warrants February 18, 2017	937,500	-	103,125	
DealNet Capital Corporation	1,525,000	610,000	747,250	
GoldMoney Inc.	107,500	481,818	484,825	
GoldMoney Inc., Warrants August 19, 2016	55,000	31,195	172,700	
GuestLogix Inc.	400,000	186,000	-	
Kinaxis Inc.	10,000	479,285	518,800	
Opsens Inc.	313,300	269,446	466,817	
Opsens Inc., Warrants June 22, 2017	284,100	11,150	133,527	
Shopify Inc., 'A'	10,000	341,613	397,404	
Vision Critical Communications Inc.	301,700	1,055,950	974,491	
		<b>5,465,493</b>	<b>5,611,100</b>	<b>20.6%</b>
<b>Materials</b>				
Buildirect.com Technologies Inc.	220,000	1,480,072	1,642,500	
Canfor Corporation	60,000	866,332	783,000	
Cathay Forest Products Corporation	1,050,500	577,365	-	
Critical Elements Corporation	100,000	66,500	63,000	
First Quantum Minerals Limited	50,000	444,500	453,500	
Freegold Ventures Limited	834,000	150,120	166,800	
Freegold Ventures Limited, Warrants May 19, 2019	417,000	-	54,210	
Horizonte Minerals PLC	2,186,000	240,460	76,510	
HudBay Minerals Inc.	50,000	307,335	308,500	
Kinross Gold Corporation	50,000	352,124	315,882	
Northern Dynasty Minerals Limited	166,000	74,700	66,400	
Northern Dynasty Minerals Limited, Warrants June 10, 2021	166,000	-	37,350	
Shore Gold Inc.	1,584,550	301,064	285,219	
Sphinx Resources Limited	3,850,000	500,500	105,875	
Sphinx Resources Limited, Warrants September 5, 2016	3,850,000	-	4	
		<b>5,361,072</b>	<b>4,358,750</b>	<b>16.0%</b>
<b>Total Long Positions</b>		<b>31,137,954</b>	<b>29,049,740</b>	<b>106.7%</b>
<b>Short Positions</b>				
<b>Consumer Discretionary</b>				
Aimia Inc.	(50,000)	(498,000)	(395,000)	
Quebecor Inc., 'B' SV	(20,000)	(740,400)	(740,400)	
		<b>(1,238,400)</b>	<b>(1,135,400)</b>	<b>-4.2%</b>
<b>Consumer Staples</b>				
Saputo Inc.	(15,000)	(593,255)	(575,550)	
		<b>(593,255)</b>	<b>(575,550)</b>	<b>-2.1%</b>
<b>Energy</b>				
Suncor Energy Inc.	(27,500)	(921,561)	(985,600)	
		<b>(921,561)</b>	<b>(985,600)</b>	<b>-3.6%</b>
<b>Materials</b>				
IAMGOLD Corporation	(150,000)	(848,735)	(802,500)	
New Gold Inc.	(44,700)	(258,366)	(252,555)	
Potash Corporation of Saskatchewan Inc.	(15,000)	(317,586)	(315,000)	
Yamana Gold Inc.	(100,000)	(663,000)	(672,000)	
		<b>(2,087,687)</b>	<b>(2,042,055)</b>	<b>-7.5%</b>

See accompanying notes which are an integral part of these financial statements.



## FRONT STREET SELECT EQUITY FUND

SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)

AS AT JUNE 30, 2016

	Number of Shares/units Par Value	Average Cost	Fair Value	% of net assets
		\$	\$	%
Total Short Positions		(4,840,903)	(4,738,605)	-17.4%
Transaction costs		(148,569)		
Total Investments		26,148,482	24,311,135	89.3%
Cash and cash equivalents			3,955,074	14.5%
Other assets, less liabilities			(1,028,906)	-3.8%
<b>Total Net Assets</b>			<b>27,237,303</b>	<b>100.0%</b>

See accompanying notes which are an integral part of these financial statements.

# Front Street Select Equity Fund (Formerly Aurion II Equity Fund)

## FUND SPECIFIC NOTES

For the periods indicated in Note 1

### 1. The Fund (note 1)

The Fund's investment objective is to achieve a superior rate of return relative to the S&P/TSX Composite Total Return Index over a longer-term investment horizon. Besides investing in listed securities, the Fund intends to use short selling strategies to augment its return. The Fund may also invest in U.S. securities, options, forwards and derivatives from time to time.

### 2. Risks associated with financial instruments (note 4)

#### i) Interest rate risk

The majority of the Fund's financial assets and liabilities were non-interest bearing as at June 30, 2016 and December 31, 2015. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

#### ii) Currency risk

The tables below indicate the currencies to which the Fund had significant exposure, net of the impact of currency forward contracts and currency spot contracts, if any, based on the monetary and non-monetary assets and liabilities of the Fund. The tables also illustrate the potential impact on the Fund if the functional currency of the Fund had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant. Certain comparative figures have been reclassified to conform to the current year's presentation.

Currency	June 30, 2016			
	Net currency exposure (\$000s)	Percentage of net assets (%)	Impact on the Fund (\$000s)	Percentage of net assets (%)
US Dollar	\$4,501	16.52%	\$450	1.65%

Currency	December 31, 2015			
	Net currency exposure (\$000s)	Percentage of net assets (%)	Impact on the Fund (\$000s)	Percentage of net assets (%)
US Dollar	\$3,494	11.75%	\$349	1.18%

#### iii) Price risk

Price risk is the risk that the carrying value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to price risk is mainly in equities and derivatives, if applicable. As at June 30, 2016, approximately 89.30% or December 31, 2015 – 95.24% of the Fund's net assets was exposed to price risk. If prices of these investments had decreased or increased by 10%, with all other variables held constant, net assets of the Fund would have decreased or increased, respectively, by approximately \$2,399,101 and December 31, 2015 - \$2,790,949. In practice, actual results may differ from this sensitivity analysis and the difference could be material. Certain comparative figures have been reclassified to conform to the current period's presentation.

## Front Street Select Equity Fund (Formerly Aurion II Equity Fund)

### FUND SPECIFIC NOTES

For the periods indicated in Note 1

---

#### iv) Credit risk

As of June 30, 2016 and December 31, 2015, the Fund had no significant investments or derivatives that were exposed to credit risk. In addition, all investment transactions are executed by brokers with an approved credit rating. As such the risk of default on transactions with counterparties and brokers related to purchase and sale of securities is considered minimal. In instances where the credit ratings were to fall below the approved rating, the Manager would take appropriate action.

#### v) Liquidity risk

The Fund's investments are considered readily realizable and highly liquid, therefore the Fund's liquidity risk is considered minimal.

#### vi) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, geographical location, asset type or industry sector, as applicable. The table below is a summary of the Fund's concentration risk:

Sector	June 30, 2016 % of NAV	December 31, 2015 % of NAV
Information Technology	20.6%	10.6%
Energy	20.4%	15.4%
Consumer Discretionary	17.6%	12.7%
Materials	16.0%	20.3%
Cash and cash equivalents	14.5%	15.9%
Financials	13.9%	38.3%
Industrials	7.9%	- %
Health Care	7.0%	1.9%
Consumer Staples	3.3%	- %
Telecommunication Services	- %	2.7%
Purchased Options	- %	0.1%
Information Technology	- %	(1.9)%
Financials	- %	(1.5)%
Materials	(7.5)%	- %
Consumer Discretionary	(4.2)%	(1.6)%
Other assets less liabilities	(3.8)%	(11.2)%
Energy	(3.6)%	(1.7)%
Consumer Staples	(2.1)%	- %
Total	<u>100.0%</u>	<u>100.0%</u>

## Front Street Select Equity Fund (Formerly Aurion II Equity Fund)

### FUND SPECIFIC NOTES

For the periods indicated in Note 1

---

#### 3. Fair value classification

The tables below illustrate the classification of the Fund's financial instruments within the fair value hierarchy.

#### Financial Assets (Liabilities) at fair value as at June 30, 2016

	Level 1	Level 2	Level 3	Total
Front Street Select Equity Fund (formerly Aurion II Equity Fund)				
Equities	\$ 23,620,146	\$ 990,726	\$ 3,826,302	\$ 28,437,174
Warrants	-	612,566	-	612,566
Equities-Short	(4,738,605)	-	-	(4,738,605)
<b>Total</b>	<b>\$ 18,881,541</b>	<b>\$ 1,603,292</b>	<b>\$ 3,826,302</b>	<b>\$ 24,311,135</b>

#### Financial Assets (Liabilities) at fair value as at December 31, 2015

	Level 1	Level 2	Level 3	Total
Front Street Select Equity Fund (formerly Aurion II Equity Fund)				
Equities	\$ 24,572,491	\$ 468,000	\$ 4,567,164	\$ 29,607,655
Options	29,171	-	-	29,171
Warrants	68,658	602,053	-	670,711
Equities-Short	(1,996,380)	-	-	(1,996,380)
<b>Total</b>	<b>\$ 22,673,940</b>	<b>\$ 1,070,053</b>	<b>\$ 4,567,164</b>	<b>\$ 28,311,157</b>

## Front Street Select Equity Fund (Formerly Aurion II Equity Fund)

### FUND SPECIFIC NOTES

For the periods indicated in Note 1

#### Transfers between levels

During the periods ended June 30, 2016 and December 31, 2015, there were no significant transfers between levels.

#### Reconciliation of Level 3 financial instruments

The following table presents the movement in the Fund's Level 3 financial instruments for the periods ended:

	Jun. 30, 2016	Dec. 31, 2015
Beginning of period	\$ 4,567,164	\$3,139,060
Purchases	\$ -	\$1,480,074
Sales	\$ -	\$ -
Transfers into Level 3	\$ -	\$ -
Transfers out of Level 3	\$ -	\$ -
Net realized gains (losses)	\$ -	\$ -
Net changes in unrealized gain (loss)*	\$ (740,862)	\$ (51,970)
<b>End of period</b>	<b>\$3,826,302</b>	<b>\$4,567,164</b>

\* Net change in unrealized gain (loss) for Level 3 financial instruments held as at June 30, 2016 and December 31, 2015, was \$688,892 and \$446,163, respectively.

During the period ended June 30, 2016, investments of approximately \$nil (December 31, 2015 - \$nil) were transferred between levels.

#### Level 3 valuation techniques

The significant unobservable inputs and valuation techniques used to determine the fair value measurements categorized in Level 3 are indicated below:

Security	Valuation technique	Significant unobservable input	Jun. 30, 2016	Dec. 31, 2015
Equities	Fundamental model analysis based on financial data	Earnings multiple and discount rate	\$974,491	\$1,161,545
Equities	Fundamental model analysis based on financial data	Earnings multiple and discount rate	\$724,609	\$955,860
Equities	Fundamental model analysis based on financial data	Financing price	\$59,701	\$282,837
Equities	Fundamental model analysis based on financial data	Financing price	\$1,642,501	\$1,666,922
Equities	Fundamental model analysis based on financial data	Earnings multiple and discount rate	\$425,000	\$500,000
			<b>\$3,826,302</b>	<b>\$4,567,164</b>

The significant unobservable inputs used in the valuation techniques used to estimate the fair values of level 3 investments can vary considerably over time to time depending on company specific factors and economic or market conditions. A 10% increase or decrease in results of applying these valuation techniques, with all other variables held consistent, would have resulted in an increase or decrease, respectively, in net assets of \$382,630 (2015 - \$456,716).

## Front Street Select Equity Fund (Formerly Aurion II Equity Fund)

### FUND SPECIFIC NOTES

For the periods indicated in Note 1

---

#### 4. Offsetting of financial assets and liabilities

As at June 30, 2016 and December 31, 2015, the Fund did not enter into any agreement whereby the financial instruments were eligible for offset.

#### 5. Interest in Underlying Funds

The Fund did not hold any interest in Underlying Funds as at June 30, 2016 and December 31, 2015.

#### 6. Reconciliation of net asset value per unit and net assets per unit (note 2)

The table below provides reconciliation of the net asset value per unit and net assets per unit. The primary reason for the difference between the net asset value per unit and net assets per unit, if any, is described in note 2.

As at June 30, 2016, that reconciliation is as follows:

	Net asset value	IFRS fair value adjustment	Net assets	Net asset value per unit	Net assets per unit
Series A	\$ 1,570,184	\$ 18,674	\$ 1,588,858	\$ 9.49	\$ 9.60
Series F	25,346,996	301,449	25,548,445	12.05	12.19
<b>Total</b>	<b>\$ 26,917,180</b>	<b>\$ 320,123</b>	<b>\$ 27,137,303</b>		

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

	Net asset value	IFRS fair value adjustment	Net assets	Net asset value per unit	Net assets per unit
Series A	\$ 2,311,301	\$ 29,329	\$ 2,340,630	\$ 8.80	\$ 8.91
Series F	27,043,858	343,167	27,387,025	11.12	11.26
<b>Total</b>	<b>\$ 29,355,159</b>	<b>\$ 372,496</b>	<b>\$ 29,727,655</b>		

## FRONT STREET SELECT EQUITY FUND

### (FORMERLY AURION II EQUITY FUND)

#### Notes to the Financial Statements

June 30, 2016 (Unaudited)

---

#### 1. The Fund

Front Street Select Equity Fund (*formerly Aurion II Equity Fund*) (the "Fund") is a unit trust created under the laws of the Province of Ontario pursuant to a General Trust Agreement ("GTA") dated January 25, 2006, as amended from time to time. The Fund is domiciled in Canada, and the address of its registered office is 33 Yonge Street, Suite 600, Toronto, Ontario, Canada, M5E 1G4.

The Fund presented in these interim financial statements are unit trusts. We also refer to a Unit Trust as a "Fund".

Front Street Capital 2004 is the manager (the "Manager") and investment advisor of the Fund (the "Investment Advisor"), on behalf of the Fund, to provide investment advisory and portfolio management services to the Fund. Front Street Capital 2004 assumed the portfolio management and investment advisory services from Aurion Capital Management Inc. on May 17, 2016. CIBC Mellon is the trustee and custodian of the Fund. Effective June 1, 2016, CIBC Mellon replaced RBC Investor and Treasury Services as the trustee and custodian of the Fund and also to provide fund accounting services and unitholder recordkeeping services.

The Statements of Financial Position are as at June 30, 2016 and December 31, 2015 and the Statements of Comprehensive Income, Changes in Net Assets Attributable to Unitholders of Redeemable Units and Cash Flows are for the periods ended June 30, 2016 and 2015. The Schedule of Investment Portfolio is as at June 30, 2016. Throughout this document, reference to the periods refers to the reporting periods described above.

The Fund is not a mutual fund for securities law purposes. As a result, certain of the protections provided to investors in mutual funds under such laws are not available to investors in the units.

These interim financial statements were authorized for issue by the Manager on August 19, 2016

The investment objective for the Fund is provided in the Fund's "Fund Specific Notes".

The commencement date for the Fund is as follows:

<b>Fund</b>	<b>Date</b>
Series A	01-Feb-07
Series F	01-Feb-06

The Fund may offer an unlimited number of units of different series or classes as deemed necessary by the Manager, they are hereinafter referred to as "units". Each series of units of a Fund is intended for different investors. A description of each series of units currently issued is provided below:

Series A: Series A are available to all "accredited investors" who invest at least \$25,000 in such units. Series A are available for purchase through a registered fund dealer. Front Street Capital pays a trailer fee to dealers who sell Series A units of the Fund.

## **FRONT STREET SELECT EQUITY FUND**

### **(FORMERLY AURION II EQUITY FUND)**

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

Series F: Series F are available to all “accredited investors” who invest at least \$25,000 in such units. Series F are available for purchase through a registered fund dealer. The management fees charged on Series F are lower than Series A as Front Street Capital does not pay a trailer fee to dealers who sell Series F units of the Fund.

Series O: These units may be offered in the future. In the event a Fund issues Class O units, Aurion will negotiate the management fee payable directly with each investor who buys Class O units of the Fund.

## **2. Summary of Significant Accounting Policies**

The significant accounting policies applied in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### **I. Basis of Preparation**

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

### **II. Financial instruments**

#### ***Classification***

The Fund classifies all its investments including derivatives as financial assets or financial liabilities at fair value through profit and loss (FVTPL). This category has two sub categories: financial assets and financial liabilities are either held for trading or designated at fair value through profit or loss at inception.

Financial assets or financial liabilities held for trading are those acquired principally for the purpose of selling or repurchasing in the near future or on initial recognition as part of an identical portfolio of financial instruments that are managed together for which there is evidence of actual short-term profit taking. Derivatives and any short positions are also included in this category.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund’s investment strategy as documented in the Offering Memorandum.



## FRONT STREET SELECT EQUITY FUND

### (FORMERLY AURION II EQUITY FUND)

#### Notes to the Financial Statements

June 30, 2016 (Unaudited)

---

#### *Recognition and measurement*

Regular purchases and sales of investments are recognized on the date on which the Fund commits to purchase or sell its investments at fair value. Transaction costs are expensed as incurred in the Statements of Comprehensive Income. Subsequent to initial recognition, financial assets and liabilities at FVTPL are measured at fair value as presented below. Gains and losses arising from changes in their fair value are included in the Statements of Comprehensive Income for the periods in which they arise.

#### **III. Fair value measurement and hierarchy of financial instruments**

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

**IFRS 13**, Fair value measurement, requires the use and disclosure of a fair value hierarchy that categorizes into three levels the inputs to valuation techniques used to measure fair value of financial instruments. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets and the lowest priority to unobservable inputs. The three level hierarchy based on inputs levels are defined as follows:

**Level 1:** Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities;

**Level 2:** Fair value is based on inputs other than unadjusted quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly.

**Level 3:** Fair value is based on at least one significant non-observable input that is not supported by market data for the financial assets or liabilities.

Changes in valuation methodology may result in transfers in and out of a level. The Fund's policy is to recognize these transfers as at the date of the event or circumstance giving rise to the transfer. The three level fair value hierarchy, transfers between levels and a reconciliation of level 3 financial instruments are disclosed in the Fund's "Fund Specific Notes".

## **FRONT STREET SELECT EQUITY FUND**

### ***(FORMERLY AURION II EQUITY FUND)***

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

The Trustee is responsible for performing the fair value measurements included in the financial statements of the Fund. The Trustee obtains pricing from various third party vendors, which are monitored and reviewed on a daily basis.

Financial instruments are valued at their fair value as summarized below:

- (i) North American equities are valued at the closing market price recorded by the security exchange on which the security is principally traded. Non-North American equities are valued at fair value based on information provided by an independent pricing source.
- (ii) Fixed income securities, including bonds and mortgage-backed securities, are valued using quotation received from independent pricing sources.
- (iii) Short-term debt instruments are carried at amortized cost, which approximates fair value.
- (iv) Investments in underlying funds are valued based on the Net Asset Value per unit provided by the Underlying Fund's manager at the end of each valuation date.
- (v) Unlisted warrants are valued using the Black-Scholes option valuation model. The model factors in the time value of money and the volatility inputs significant to such valuation.
- (vi) Options contracts are valued at their mid-price as reported by the principal exchange or the over-the-counter market on which the contract is traded.
- (vii) Futures contracts are valued at their close prices on each valuation date.
- (viii) Open forward currency contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date, using forward rates in effect at the valuation date.

#### **IV. Net Assets versus Net Asset Value**

The Fund's accounting policies for measuring the fair value of their investments and derivatives are identical to those used in measuring their net asset value for transactions with unitholders in accordance with Part 14 of National Instrument 81-106 Investment Funds for Continuous Disclosure (« NI 81-106 »), except where the last traded market price for financial assets and liabilities are not within the bid-ask spread. A comparison of the net assets per unit in accordance with IFRS (« Net Assets per unit ») and the net assets per unit calculated in accordance with NI 81-106 (« Net Asset Value per unit ») are presented in the « Fund Specific Notes » for the Fund.

## **FRONT STREET SELECT EQUITY FUND**

### **(FORMERLY AURION II EQUITY FUND)**

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

#### **V. Income recognition**

Gains and losses arising from changes in fair value of financial instruments are shown in the Statements of Comprehensive Income as “Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL and derivatives” when the positions are open. Gains and losses arising from changes in fair value of spots, forwards and futures are shown in the Statements of Comprehensive Income as “Change in unrealized gain (loss)” of the respective derivative contract and in the Statements of Financial Position as “Unrealized Gain” or “Unrealized Loss” of the derivative contract until the contracts are closed out or expire. Once the contracts are closed out or expired, the resulting realized gains and losses, of forwards and futures are shown in the Statements of Comprehensive Income as “Net Realized gain (loss)” of the respective derivative contract.

The premium received or paid on options purchased or written are included in the cost of the options. Any difference resulting from revaluation at the reporting date is treated as “Change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL and derivatives.”

Dividend income and distributions from underlying funds are recognized on the ex-dividend date. Where applicable, interest and dividends on investments sold short are accrued as earned and are reported as a liability in the Statements of Financial Position in “Dividends payable” and in the Statements of Comprehensive Income in “Dividends paid”. Distributions received from income trusts are recognized based on the nature of the underlying components such as dividend income, interest income, capital gains, and return of capital by applying previous year characterizations reported by the trust as current year characterizations are not available until the following year.

Interest for distribution purposes represents the coupon interest received by the Fund, recognized on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Realized gain or loss on the sale of short-term debt instruments are recorded as an adjustment to interest income.

#### **VI. Functional and presentation currency and foreign exchange translation**

The functional and presentation currency of the Fund is the Canadian dollars. Canadian dollars is the currency of primary economic environment in which the Fund operates or where mixed indicators exist in the primary environment, the Canadian dollar is the currency in which it raises capital. Any other currency other than functional currency represents foreign currency to the Fund. Amounts denominated in foreign currencies are converted into the functional currency as follows:

- (i) Fair value of investments, derivative contracts and monetary and non-monetary assets and liabilities at the rates of exchange prevailing as at the valuation date; and
- (ii) Purchase or sale of investments and investment income at the rates of exchange prevailing on the respective dates of such transactions, while purchase or sale of monetary assets at the spot rate agreed upon with the counterparty.

## **FRONT STREET SELECT EQUITY FUND**

### ***(FORMERLY AURION II EQUITY FUND)***

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

Realized and unrealized gain (loss) incurred in the Fund from monetary assets and liabilities are shown in the Statements of Comprehensive Income as “Foreign currency gain (loss) on cash and cash equivalents and other net assets” while all other sources of foreign exchange gains and losses are shown in “Net realized gain (loss)” of the respective derivative contract.

#### **VI. Investments in unconsolidated structured entities**

Mortgage-backed securities or asset-backed securities are considered to be unconsolidated structured entities. Mortgage-backed securities are formed by pooling various types of mortgages while asset-backed securities are formed by pooling assets such as auto loans, credit card receivables or student loans. An interest or claim to this future cash flow (interest and principal) is then sold in the form of debt or equity securities, which could be held by the Fund. As unconsolidated structured entities, the Fund accounts for these investments at fair value as well. As at June 30, 2016 and December 31, 2015, the maximum exposure to these securities was nil of the net assets of the Fund.

#### **VII. Redeemable Units Issued by the Fund**

The Fund’s outstanding redeemable units qualify as “puttable instruments” as required by International Accounting Standard 32: Financial Instruments: Presentation (“IAS 32”) which states that units or shares of an entity that include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset should be classified as financial liability. The Fund has a contractual obligation to distribute any taxable income at least annually that allows the unitholders to request cash payment for any distributions or dividends paid. These features violate criteria that are required in order for the redeemable units to be presented as equity under IAS 32. Consequently, the Fund’s outstanding redeemable units are classified as financial liabilities in these financial statements.

#### **IX. Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the Statements of Financial Position only if there is a legal right to offset the amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRS, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss. Financial assets and liabilities that are subject to master netting or comparable agreements and the related potential effect of offsetting are disclosed in the respective Fund’s “Fund Specific Notes”.

## **FRONT STREET SELECT EQUITY FUND**

***(FORMERLY AURION II EQUITY FUND)***

### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

#### **X. Other financial assets and liabilities**

Other financial assets and liabilities other than investment securities are valued at cost or amortized cost. These balances are short-term in nature; therefore, their carrying values approximate fair values.

#### **XI. Increase (decrease) in net assets attributable to unitholders of redeemable units per unit**

Increase (decrease) in net assets attributable to unitholders of redeemable units per unit” is disclosed in the Statements of Comprehensive Income and represents, for each series of units, the increase or decrease in net assets attributable to unitholders of redeemable units from operations for the period attributable to each series divided by the weighted average number of units outstanding for the corresponding series during the period.

#### **XII. Short Selling**

If a Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. There can be no assurance that a Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain a margin account with the broker containing cash and liquid securities such that the amount deposited as margin will be more than the current market value of the security sold short. The cash held on margin in respect of short sale activity is noted in the Statements of Financial Position in “Deposits with brokers for securities sold short”, if applicable.

The Fund has an arrangement with CIBC Mellon for the securities borrowed. The aggregate market value of the collateral delivered in respect of this program shall equal at a minimum 140% of the market value of the short positions.

#### **XIII. Cash and Cash Equivalents**

Cash and cash equivalents are comprised of cash on deposit, bank overdrafts and short-term debt instruments, as applicable.

## FRONT STREET SELECT EQUITY FUND

### (FORMERLY AURION II EQUITY FUND)

#### Notes to the Financial Statements

June 30, 2016 (Unaudited)

---

#### XIV. Accounting standards issued but not yet effective

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

#### 3. Significant accounting judgments and estimates

The preparation of interim financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. These estimates are made based on information available as at the date of issuance of the interim financial statements. Actual results could materially differ from those estimates. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the interim financial statements:

##### ***Investment Entities***

In accordance with IFRS 10: *Consolidated Financial Statements*, the Manager has determined that the Fund meets the definition of an Investment Entity which requires that the Fund obtains funds from one or more investors for the purpose of providing investment management services, commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of its investments on a fair value basis. Consequently, the Fund does not consolidate any interests in subsidiaries, but instead measure these at FVTPL, as required by the accounting standard. The Fund has also designated investments in associates and joint arrangements, if any, at FVTPL.

Subsidiaries are entities or investments in other funds over which the Fund has control in all aspects of decision making and therefore are able to affect any decisions that benefit the Fund. Joint arrangements and associates are investments over which the Fund could have joint control or significant control. Structured entities on the other hand are entities which are not governed by voting rights or any other similar rights held by the Fund or other investors, but through contractual agreements or offering documents. The Manager has determined that the Fund has no subsidiaries.

## **FRONT STREET SELECT EQUITY FUND**

### **(FORMERLY AURION II EQUITY FUND)**

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

#### ***Classification and measurement of investments and application of the fair value option***

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39: “*Financial Instruments -- Recognition and Measurement*”. The most significant judgments made include the determination that certain financial instruments are held-for-trading and that the fair value option can be applied to those which are not.

#### ***Fair value measurement of derivatives and securities not quoted in an active market***

Key areas of estimation, where the Manager has made complex or subjective judgments, include the determination of fair values of financial instruments and derivatives that are not quoted in an active market. The use of valuation techniques for financial instruments and derivatives that are not quoted in an active market requires the Manager to make assumptions that are based on market conditions existing as at the date of the interim financial statements. Changes in these assumptions as a result of changes in market conditions could affect the reported fair value of financial instruments and derivatives.

#### **4. Discussion of Financial Instrument Risk**

The Fund’s investment activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk, and other price risk), credit risk and liquidity risk. The Fund’s investment practices include portfolio monitoring to ensure compliance with stated investment guidelines. The Manager seeks to minimize potential adverse effects of risks on the Fund’s performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor each Fund’s securities and financial market developments. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables.

The Manager maintains a risk management practice that includes monitoring compliance with investment restrictions to ensure that the Fund is being managed in accordance with the Fund’s stated investment objectives, strategies and securities regulations.

A Fund’s exposure to market risk, credit risk and liquidity risk, where applicable, is disclosed in the respective Fund’s “Fund Specific Notes”.

##### **(a) Market risk**

###### **(i) Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the future cash flows or the fair values of interest-bearing financial instruments. The Fund’s exposure to interest rate risk is concentrated in its investments in debt securities (such as bonds and debentures) and interest rate derivative instruments, if any. Short-term investments and other assets and liabilities are short-term in nature and/or non-interest bearing and are not subject to a significant amount of interest rate risk due to fluctuations in the prevailing levels of market interest rates.

## **FRONT STREET SELECT EQUITY FUND**

### ***(FORMERLY AURION II EQUITY FUND)***

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

#### **(ii) Currency risk**

The Fund may invest in monetary and non-monetary assets denominated in currencies other than their functional currency. Currency risk is the risk that the value of foreign investments will fluctuate due to changes in the foreign exchange rates of those currencies in relation to the Fund's functional currency. Other financial assets (including dividends and interest receivable and receivable for investments sold) and financial liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk. The Fund may enter into foreign exchange forward contracts or currency futures contracts for hedging purposes to reduce their foreign currency risk exposure.

#### **(iii) Price risk**

Price risk is the risk that the fair value of a Fund's financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to other price risk is mainly in equities and derivatives. The maximum risk resulting from these financial instruments is equivalent to their fair value, except for written options, short sales and futures contracts sold, where possible losses can be unlimited.

#### **(b) Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. A Fund's investment in debt instruments represents the main concentration of credit risk. The fair value of debt instruments includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure to the Fund. Credit risk may also exist in relation to counterparties to derivatives. All the transactions in listed securities are settled or paid upon delivery using approved brokers. The risk of default with the counterparty is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is only made on a purchase once the securities have been received by the broker.

The credit ratings reported for counterparties to debt instruments are DBRS credit rating or DBRSs equivalent for credit ratings from other approved rating agencies. In addition, custody and derivative transactions are carried out by counterparties that have a DBRS credit rating of R1-Mid or higher.

The Fund can also be exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Fund employs a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the Bank Act (Canada), or a company incorporated in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Fund's custodian, CIBC Mellon, meets all Canadian Securities Administrators' requirements to act as custodian.



## **FRONT STREET SELECT EQUITY FUND**

### ***(FORMERLY AURION II EQUITY FUND)***

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

#### **(c) Liquidity risk**

The Fund's exposure to liquidity risk arises primarily from the monthly cash redemption of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in securities that are not traded in an active market and may be illiquid. Illiquid securities are identified in the Fund's Schedule of Investment Portfolio.

#### **(d) Concentration risk**

Concentrations of risk arise from financial instruments that have similar characteristics and are affected similarly by changes in economic or other conditions. The identification and disclosure of risks concentration is provided in the Fund's "Fund Specific Notes".

#### **(e) Short selling risk**

Short selling risk is the risk of loss related to short selling transactions. The Fund will profit from a short sale transaction if the value of the borrowed security declines in value from the time the Fund sells the stock to the time the Fund closes out its short position. There is no certainty that the security price will decline, and unlike long positions, where the risk of loss is limited to the amount of the initial investment, short positions are exposed to an unlimited risk of loss as they may be closed out at a price that would result in a significant loss for the Fund. The Fund's discretion may be limited in an open sale transaction. For example, the lender may recall the security unexpectedly, or go bankrupt thereby jeopardizing the recoverability of collateral. As well, the Fund may encounter difficulty repurchasing the security should that security's liquidity become compromised in the marketplace. The Fund mitigates such risk by shorting only liquid securities, and by depositing the appropriate collateral against the short positions.

## **5. Management Fees**

The Fund pays a Manager a management fee in consideration for all making decision relating to the Fund. This includes making or arranging for investment advice, portfolio management services, fund administration services, distribution of the Fund, and any other day-to-day operational needs for the Fund.

The management fee for Series A and Series F is an annualized rate based on the net asset value of each series of the Fund. The Fund's management fees are calculated and payable monthly.

## **FRONT STREET SELECT EQUITY FUND**

**(FORMERLY AURION II EQUITY FUND)**

### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

The Manager is entitled to a maximum annual management fee, exclusive of sales taxes, as follows:

<b>Series</b>	<b>Fees</b>
Series A	2.50%
Series F	1.50%

#### **6. Operating Expenses**

The Fund incurs certain operating expenses (the "Operating Expenses"). The Operating Expenses include, but are not limited to, audit fees, fund accounting costs, transfer agency and recordkeeping costs, custodian costs, administration costs and trustee services relating to registered tax plans, costs of printing and disseminating offering memorandum, annual information forms, fund facts and continuous disclosure materials, legal fees, bank charges, investor communication costs and regulatory filing fees.

The Manager may absorb certain expenses associated with some of the Fund. The absorbed amounts (if applicable) are shown in the Statements of Comprehensive Income. Such absorption, where applicable, is calculated in accordance with the Offering Memorandum or in certain circumstances, may be terminated by the Manager at any time without notice.

#### **7. Redeemable Units**

Units issued and outstanding represent the capital of the Fund. The Fund may issue an unlimited number of units. Each unit is redeemable at the option of the unitholder in accordance with the GTA. Unitholders are entitled to distributions when declared. Distributions on units of a Fund are reinvested in additional units of the Fund or at the option of the unitholder, paid in cash. The Fund's capital is managed in accordance with each of the Fund's investment objectives, policies and restrictions, as outlined in the Fund's Offering Memorandum. The Fund has no specific restrictions or specific capital requirements on the subscriptions or redemptions of units, other than minimum subscription requirements.

The units of each series of the Fund are issued and redeemed at their Net Asset Value per unit of each series which is determined as of the close of business on each day that the Toronto Stock Exchange is open for trading. The Net Asset Value per unit is calculated by dividing the Net Asset Value per Series by the total number of outstanding units of each series.

## FRONT STREET SELECT EQUITY FUND

### (FORMERLY AURION II EQUITY FUND)

#### Notes to the Financial Statements

June 30, 2016 (Unaudited)

For the periods ended June 30, 2016 and 2015, the following number of units were issued, reinvested and redeemed:

	2016		2015	
	Series A	Series F	Series A	Series F
Redeemable Units - Beginning of period	<u>262,625</u>	<u>2,432,302</u>	601,660	3,229,135
Redeemable units issued	-	171,223	4,804	-
Redeemable units redeemed	(97,147)	(499,311)	(167,538)	(214,906)
Redeemable units - End of period	<u>165,478</u>	<u>2,104,214</u>	<u>438,926</u>	<u>3,014,229</u>

## 8. Income Taxes

### Unit Trusts

The Fund is a unit trust under the Income Tax Act (Canada). The Fund is subject to tax on their income, including net realized capital gains that are not paid or payable to their unitholders. The Fund distributes sufficient amounts of its net investment income, including net realized capital gains, less the amount retained to enable the Fund to utilize any available tax losses or tax credit attributable to redemptions during the period by its unitholders such that no income tax will be paid or payable by the Fund. Such net investment income, including net realized capital gains are taxable in the hands of the unitholders. Accordingly, the Fund does not record Canadian income taxes in their financial statements.

In certain circumstances, the Fund may distribute a return of capital. A return of capital is not taxable to unitholders but will reduce the adjusted cost base of the units held.

### Losses Carried Forward

The Fund can accumulate capital and non-capital losses. Capital losses can be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses for income tax purposes may be carried forward up to twenty years and applied against all sources of income. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses have not been reflected in the Statements of Financial Position as a deferred income tax asset.

The Fund had losses available to carry forward as indicated in the table below:

	December 31, 2015
Capital Losses	\$ 1,383,627
Non-Capital Losses	\$ 266,171

## FRONT STREET SELECT EQUITY FUND

(FORMERLY AURION II EQUITY FUND)

### Notes to the Financial Statements

June 30, 2016 (Unaudited)

---

#### Withholding Taxes

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

#### Uncertain Income Taxes

The Fund invests in securities issued by entities which are domiciled in countries other than Canada. Many of these foreign countries have tax laws that indicate that capital gains taxes may be applicable to non-residents, such as the Fund. Typically, these capital gains taxes are determined on a self-assessment basis; therefore, such taxes may not be deducted by the Fund's broker on a "withholding" basis.

As at June 30, 2016 and December 31, 2015, the Fund has measured uncertain tax liabilities and related interest and penalties with respect to foreign capital gains taxes at \$nil. While this represents the management's best estimate, the estimated value could differ significantly from the amount ultimately payable.

#### 9. Client Brokerage Commissions

Client brokerage commissions are arrangements pursuant to which products or services, other than the execution of portfolio securities transactions, are obtained by a portfolio adviser from or through a broker-dealer in exchange for directing client securities transactions to the broker-dealer. The ascertainable soft dollar arrangements in connection with investment portfolio transactions for the periods ended June 30, 2016 and December 31, 2015 are set out below.

	June 30, 2016	December 31, 2015
Client Brokerage Commissions	\$ Nil	\$ 14,248

#### 10. Related Party Transactions

The Manager is a related party to the Fund. In addition, Tuscarora Capital Inc. ("TCI"), a brokerage company under common control to the Manager is a related party to the Fund. All transactions between the Fund and related parties are in the normal course of business and are carried out at arm's length terms.

- a) The Manager earns fees for acting as manager of the Fund as detailed in note 5 respectively. The management fees are disclosed in a separate line in the Statements of Comprehensive Income and Statements of Financial Position.

## FRONT STREET SELECT EQUITY FUND

### (FORMERLY AURION II EQUITY FUND)

#### Notes to the Financial Statements

June 30, 2016 (Unaudited)

---

- b) Decisions about the purchase and sale of the Fund's portfolio securities are made by appointed Portfolio Manager of the Fund. Provided that the pricing, service and other terms are comparable to those offered by other dealers, a portion of the portfolio transactions may be executed for the Fund, by TCI. In such cases, TCI will receive commissions from the Fund. Brokerage fees paid to the related party for the periods ended June 30, 2016 and 2015 are as follows:

	<b>June 30, 2016</b> <i>(Prior Manager)</i>	<b>June 30, 2015</b> <i>(Prior Manager)</i>
Brokerage Fees	\$6,402	\$15,855

#### 11. Performance Fees

The Fund also pays a performance fee to the Manager. Performance fees, if any, are paid on a per series basis. Series A and F may pay performance fees to the Manager. The performance fee is estimated and accrued monthly, calculated at calendar year end using such average month-end net asset values and is paid within thirty days after calendar year end.

Front Street Capital will be paid an annual performance fee by the Front Street Select Equity Fund (*formerly Aurion II Equity Fund*) equal to 20% of the increase in the NAV of each Class of this Fund in a year which exceeds the change in the S&P/TSX Composite Total Return Index during the year, provided the increase in the NAV of the Class (before considering any performance fee accruals and any trailer fees) during the year is positive and greater than the change in the S&P/TSX Composite Return Index during the year plus two percent (the "Equity Fund Benchmark"). No performance fee will be paid by a Class of the Fund during a year if the change in the NAV of a Class of the Fund (before considering any performance fee accruals and any trailer fees) in the year is negative or is at or below the Equity Fund Benchmark during the year.

As at June 30, 2016 and 2015, the Fund accrued performance fees, inclusive of sales tax, as follows:

	<b>June 30, 2016</b> <i>(Current Manager)</i>	<b>June 30, 2015</b> <i>(Prior Manager)</i>
Performance Fees	\$nil	\$ 856,671

## **FRONT STREET SELECT EQUITY FUND**

### **(FORMERLY AURION II EQUITY FUND)**

#### **Notes to the Financial Statements**

**June 30, 2016 (Unaudited)**

---

#### **12. Currency Legend**

The following is a list of abbreviations that may be used in the Financial Statements:

AUD Australian Dollar	GBP Pound Sterling	MXN Mexican Peso	SGD Singapore Dollar
BMD Bermuda Dollar	HKD Hong Kong Dollar	MYR Malaysian Ringgit	THB Thailand Baht
BRL Brazilian Real	IDR Indonesian Rupiah	NOK Norwegian Krone	TWD New Taiwan Dollar
CAD Canadian Dollar	ILS Israeli Shekel	NZD New Zealand Dollar	USD US Dollar
CHF Swiss Franc	INR Indian Rupee	PHP Philippine Peso	ZAR South African Rand
CLP Chilean Peso	JPY Japanese Yen	PKR Pakistani Rupee	
DKK Danish Krone	KRW South Korean Won	SEK Swedish Krona	
EUR Euro			

#### **13. Filing Disclosure**

In accordance with section 2.11 (c) of National Instrument 81-106 ("NI 81-106"), Front Street Capital, as investment manager to the Fund, has provided notice to the securities regulatory authority that it is relying on the exemption granted by section 2.11 of NI 81-106 whereby Front Street Capital will not be filing the interim financial statements for the Fund.

#### **14. Securities Lending**

The Fund may enter into securities lending transactions under a securities lending program with their custodian, CIBC Mellon. These transactions involve the temporary exchange of securities for collateral with a commitment to return the same securities to the Fund on a future date. The income earned from these securities lending transactions is recorded in the Statements of Comprehensive Income. The fair value of the securities lent and collateral held is determined on a daily basis. The securities lending arrangement can be terminated by the borrower, the securities lending agent or the Fund at any time. The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the Net Assets of the Fund.

The Fund receives collateral of 102% of the value of the securities on loan. Collateral is received in the form of debt obligations of the Government of Canada, a Canadian provincial government, the government of the United States of America, certain financial institutions or other qualified securities, and is not included in the Schedule of Investment Portfolio. The aggregate market value of the securities on loan and the collateral received by the Fund as at June 30, 2016 and December 31, 2015 are nil.





**FRONT STREET CAPITAL**

33 Yonge Street, Suite 600  
Toronto, ON M5E 1G4

Tel.: 1 (800) 513-2832

or (416) 364-1990

Fax: (416) 364-8893

[www.FrontStreetCapital.com](http://www.FrontStreetCapital.com)