

FRONT STREET
Growth Fund

FRONT STREET GROWTH FUND
A FRONT STREET CAPITAL MUTUAL FUND

Management Report of Fund Performance

and

Interim Financial Statements

JUNE 30, 2008

Interim Management Report of Fund Performance As at June 30, 2008 Front Street Growth Fund (formerly Front Street Small Cap Canadian Fund)

This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete annual financial statements for Front Street Growth Fund, a Front Street Capital mutual fund, formerly the Front Street Small Cap Canadian Fund (the "Fund"). The interim financials of the Fund are attached behind this report and you can also get a copy of the interim (or annual) financial statements at your request, and at no cost, by calling 1-800-513-2832, by writing to us at Front Street Capital 2004, 33 Yonge Street, Suite 600, Toronto, Ontario M5E 1G4 or by visiting our web site at www.frontstreetcapital.com or SEDAR at www.sedar.com.

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

Forward Looking Information

This Interim Management Report of Fund Performance contains forward-looking information and statements relating, but not limited to, anticipated or prospective financial performance and results of operations of the Fund. Forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking information. Without limiting the foregoing, the words "believes", "anticipates", "plans", "intends", "will", "should", "expects", "projects", and similar expressions are intended to identify forward-looking information.

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

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

Management Discussion of Fund Performance

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of the Fund is to seek capital appreciation through investment in equity securities of companies whose product, service or management team Front Street Capital believes can realize value and growth. Front Street Capital may rely on "top down" fundamental research to identify equity securities of companies in a

particular industry or sector, but portfolio diversification will be driven primarily from the Fund's investments, as opposed to targeting sector weights.

Front Street Capital will employ alternative investment strategies, including event-related special situations investing (including, for instance, investment in securities of issuers undergoing or undertaking tenders, mergers and acquisitions, liquidations, spin-offs and recapitalizations) and the purchase of undervalued shares in the equity markets.

From time to time the Fund may use clearing corporation options and listed warrants ("permitted derivatives") as permitted by Canadian securities regulators and consistent with the investment objectives and strategies of the Fund. The Fund may use these permitted derivatives for hedging and non-hedging purposes.

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 offers three series of units and is therefore subject to series 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 selling securities short, the risks of investing in derivatives, and the risk associated with investing in securities of junior industrial, technology and natural resource companies. These risks are all further described in the Simplified Prospectus of the Fund dated June 18, 2008.

Currency risk proved to have a minimal effect on the Fund's returns, as the Canadian dollar traded in a relatively narrow range, relative to the US dollar, over the period. Currency risk impacted principally the Fund's investments, which had revenue in US\$. Volatility in currency markets appears to be moderate.

Equity risk also affected Fund volatility. Specifically, the threat of oil-supply disruptions kept the price of oil high, only to reverse when the US Federal Reserve Board signalled it was prepared to raise rates threatening a slowdown in US consumption. While market volatility was high overall, the price of oil and gas was a positive factor that contributed to Canadian equity market performance, particularly in the energy sector.

Interest-rate risk was also a factor, as global central banks and bond and equity markets closely monitored the US Federal Reserve's monetary policy activities and public communications for indications as to when the current cycle of monetary policy may be ending. As higher borrowing costs tend to slow the economy, rising interest rates tend to have a negative impact on the outlook for corporate-profit growth and therefore equity market performance.

Credit risk was another factor this year. Specifically, a weakening housing market in the United States finally became a crisis in August of 2007 as assets backed by subprime mortgages collapsed, impacting global debt and equity markets. As 2007 evolved to 2008, the vicious circle caused by deteriorating credit impacted commercial banks -- holders of bonds and other securities backed by home loans. As a result, lending has been curtailed and the cost of money is higher. Although the Fund did not hold the debt in question, equity markets have been weak due to the general uncertainty and the fact that global growth could decelerate into 2009 as liquidity dries up.

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 only for investors seeking long-term growth with a high tolerance for risk and volatility and a long-term investment horizon.

RESULTS OF OPERATIONS

The Fund's investment advisor continued to focus on long-term capital appreciation for the portfolio during fiscal 2007 and the first six months of 2008. Sector allocation to the materials sector significantly contributed to the returns for the year. Company concentration was not evident as the investment advisor continued its long-standing commitment to a diversity of names while maintaining a focus on the sectors that had high appreciation potential.

Interest rate increases had only a slight negative impact for the Fund. Currency volatility also had a slight negative impact as revenues denominated in US\$ declined when converted to C\$ on most investee company's income statements. Credit risk did not impact the Fund directly, other than the impact of the overall market weakness.

RECENT DEVELOPMENTS

On June 20, 2008, the Fund announced that it had been renamed Front Street Growth Fund to reflect the Fund's focused strategy on growth that is not restricted to small cap stocks. The Fund's mandate is broad in nature and the name change reflects the Fund's flexibility to move within various market cap companies. The Fund anticipates that volatility will continue in the equity markets for the foreseeable future. The perception exists that inventory levels are tight in most commodity groups leading to an inability to cushion any shocks to the system. This reality, coupled with a changing interest rate environment, has led to steady economic growth, albeit at higher commodity price levels. Credit concerns and high leverage in the U.S. have had an impact on capital markets and we will continue to monitor this closely.

RELATED PARTY-TRANSACTIONS

Front Street Capital ("FSC") provides or arranges for the provision of all general management and administrative services required by the Fund in its day-to-day operations, including providing or arranging the provision of investment advice, establishment of brokerage arrangements relating to the purchase and sale of the investment portfolio, and bookkeeping, record-keeping and other administrative services for the Fund.

The Fund's portfolio advisor (the "Portfolio Advisor") is Front Street Investment Management, Inc. ("FSIMI"). FSIMI is an affiliate of FSC and has entered into a Sub-Advisory Agreement to provide advisory services to the Fund.

As a result of providing investment advisory and management services, FSC receives a monthly management fee, based on the average net assets of each Series, calculated daily and payable monthly.

The Fund may place a portion of its portfolio transactions with brokerage firms which are affiliates of FSC, 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. For the six months ended June 30 2008, Tuscarora Capital Inc. received \$19,305 (2007 - \$43,724) in commission on portfolio transactions for the Fund.

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 unaudited financial statements for the six months ended June 30, 2008.

FRONT STREET GROWTH FUND SERIES A

FOR THE PERIODS ENDED	June 30, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Unit					
Net asset value, beginning of period ⁽³⁾	6.56	6.70	5.98	4.18	3.36
Increase (decrease) from operations:					
Total revenue	0.03	0.09	0.08	0.01	-
Total expenses	(0.18)	(0.19)	(0.27)	(0.11)	(0.04)
Realized gains (losses)	0.62	0.10	1.00	0.27	0.10
Unrealized gains (losses)	1.02	(0.13)	0.38	0.30	0.10
Total increase (decrease) from operations⁽¹⁾	1.49	(0.13)	1.19	0.47	0.16
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	(0.52)	(0.18)	-
Return of capital	-	-	-	-	-
Total distributions⁽²⁾	-	-	(0.52)	(0.18)	-
Net asset value, end of period⁽³⁾	8.06	6.56	6.70	5.98	4.18
Ratios and Supplemental Data					
Net assets (000's) ⁽⁴⁾	102,574	79,411	81,531	36,460	8,553
Number of units outstanding ⁽⁴⁾	12,732,405	12,097,480	12,168,022	6,099,596	2,048,559
Management expense ratio ⁽⁵⁾	5.11%	2.73%	4.10%	8.53%	11.25%
Management expense ratio before waivers or absorptions	5.11%	2.73%	4.10%	8.53%	11.25%
Trading expense ratio ⁽⁶⁾	0.17%	0.26%	0.33%	0.57%	0.35%
Portfolio turnover rate ⁽⁷⁾	40.68%	56.05%	66.03%	59.30%	98.30%
Net asset value per share ⁽⁸⁾	8.06	6.56	6.70	5.98	4.18
Closing market price or transactional NAV ⁽⁸⁾	8.09	6.60	6.70	5.98	4.18

FRONT STREET GROWTH FUND SERIES B

FOR THE PERIODS ENDED	June 30, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Unit					
Net asset value, beginning of period ⁽³⁾	6.56	6.70	5.98	4.18	3.36
Increase (decrease) from operations:					
Total revenue	0.03	0.09	0.08	0.02	0.01
Total expenses	(0.18)	(0.19)	(0.27)	(0.30)	(0.18)
Realized gains (losses)	0.62	0.20	1.04	0.74	0.43
Unrealized gains (losses)	1.02	(0.18)	0.26	0.82	0.43
Total increase (decrease) from operations⁽¹⁾	1.49	(0.08)	1.11	1.28	0.69

FRONT STREET GROWTH FUND SERIES B

FOR THE PERIODS ENDED	June 30, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
	\$	\$	\$	\$	\$
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	(0.52)	(0.18)	-
Return of capital	-	-	-	-	-
Total distributions⁽²⁾	-	-	(0.52)	(0.18)	-
Net asset value, end of period⁽³⁾	8.06	6.56	6.70	5.98	4.18
Ratios and Supplemental Data					
Net assets (000's) ⁽⁴⁾	149,022	125,183	158,841	99,387	29,977
Number of units outstanding ⁽⁴⁾	18,497,893	19,070,322	23,704,773	16,626,989	7,179,576
Management expense ratio ⁽⁵⁾	5.11%	2.73%	4.10%	8.53%	11.25%
Management expense ratio before waivers or absorptions	5.11%	2.73%	4.10%	8.53%	11.25%
Trading expense ratio ⁽⁶⁾	0.17%	0.26%	0.33%	0.57%	0.35%
Portfolio turnover rate ⁽⁷⁾	40.68%	56.05%	66.03%	59.30%	98.30%
Net asset value per share ⁽⁸⁾	8.06	6.56	6.70	5.98	4.18
Closing market price or transactional NAV ⁽⁸⁾	8.09	6.60	6.70	5.98	4.18

FRONT STREET GROWTH FUND SERIES F

FOR THE PERIODS ENDED	June 30, 2008	December 31, 2007	December 31, 2006	December 31, 2005	December 31, 2004
	\$	\$	\$	\$	\$
The Fund's Net Asset Value (NAV) per Unit					
Net asset value, beginning of period⁽³⁾	6.72	6.80	5.97	4.18	3.36
Increase (decrease) from operations:					
Total revenue	0.03	0.09	0.08	-	-
Total expenses	(0.16)	(0.13)	(0.20)	(0.01)	(0.01)
Realized gains (losses)	0.64	0.06	0.97	0.02	0.01
Unrealized gains (losses)	1.05	(0.12)	0.17	0.02	0.01
Total increase (decrease) from operations⁽¹⁾	1.56	(0.10)	1.02	0.03	0.01
Distributions:					
From income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	(0.48)	(0.20)	-
Return of capital	-	-	-	-	-
Total distributions⁽²⁾	-	-	(0.48)	(0.20)	-
Net asset value, end of period⁽³⁾	8.27	6.72	6.80	5.97	4.18

FRONT STREET GROWTH FUND SERIES F

FOR THE PERIODS ENDED	June 30, 2008 \$	December 31, 2007 \$	December 31, 2006 \$	December 31, 2005 \$	December 31, 2004 \$
Ratios and Supplemental Data					
Net assets (000's) ⁽⁴⁾	17,542	13,473	9,087	2,852	820
Number of units outstanding ⁽⁴⁾	2,122,123	2,006,235	1,337,207	477,382	196,503
Management expense ratio ⁽⁵⁾	4.43%	1.89%	2.97%	7.63%	11.25%
Management expense ratio before waivers or absorptions	4.43%	1.89%	2.97%	7.63%	11.25%
Trading expense ratio ⁽⁶⁾	0.17%	0.26%	0.33%	0.57%	0.35%
Portfolio turnover rate ⁽⁷⁾	40.68%	56.05%	66.03%	59.30%	98.30%
Net asset value per share ⁽⁸⁾	8.27	6.72	6.80	5.97	4.18
Closing market price or transactional NAV ⁽⁸⁾	8.30	6.76	6.80	5.97	4.18

(1) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial year.

(2) Distributions were paid in cash/reinvested in additional units of the Fund.

(3) The relief granted by the Canadian securities regulatory authorities from complying with Section 3855 results in a difference between GAAP NAV and Transactional NAV due to the use of different valuation techniques for certain investments. We have adopted the provisions of Section 3855 retroactively without restatement or prior years. Accordingly, the beginning of year net asset value for the current year is adjusted.

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

(5) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net assets during the year.

(6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(7) 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 period, 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.

(8) The relief granted by the Canadian securities regulatory authorities from complying with Section 3855 results in a difference between GAAP NAV and Transactional NAV due to the use of different valuation techniques for certain investments. We have adopted the provisions of Section 3855 retroactively without restatement or prior years. Accordingly, the beginning of year net asset value for the current year is adjusted.

MANAGEMENT AND PERFORMANCE FEES

Until April 2005, the Fund paid FSIMI a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears. Commencing in May 2005, the Fund began to pay FSIMI a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for series A and B shares; the Fund commenced paying FSIMI a monthly management fee equal to 1/12 of 1% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears for Series F shares.

The Fund uses the management fees to pay for sales and trailing commissions to registered dealers.

	Series A	Series B	Series F
Annual Rates	2.00%	2.00%	1.00%
As a percentage of management fees			
Dealer Compensation	25%	50%	-
Investment management, admin & other	75%	50%	100%

The manager is also entitled to 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 calendar 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 will be equal to this excess return per security multiplied by the number of securities outstanding at the end of the quarter multiplied by 20%, provided that the net asset value per security of the Fund (including distributions) is greater than all previous values at the end of each previous calendar quarter. The starting reference point for the next calendar quarter’s calculation will be based on the higher of either the Benchmark performance adjusted net asset value per security or the adjusted actual net asset value per security, both with respect to the previous quarter in which a performance fee was payable.

PAST PERFORMANCE

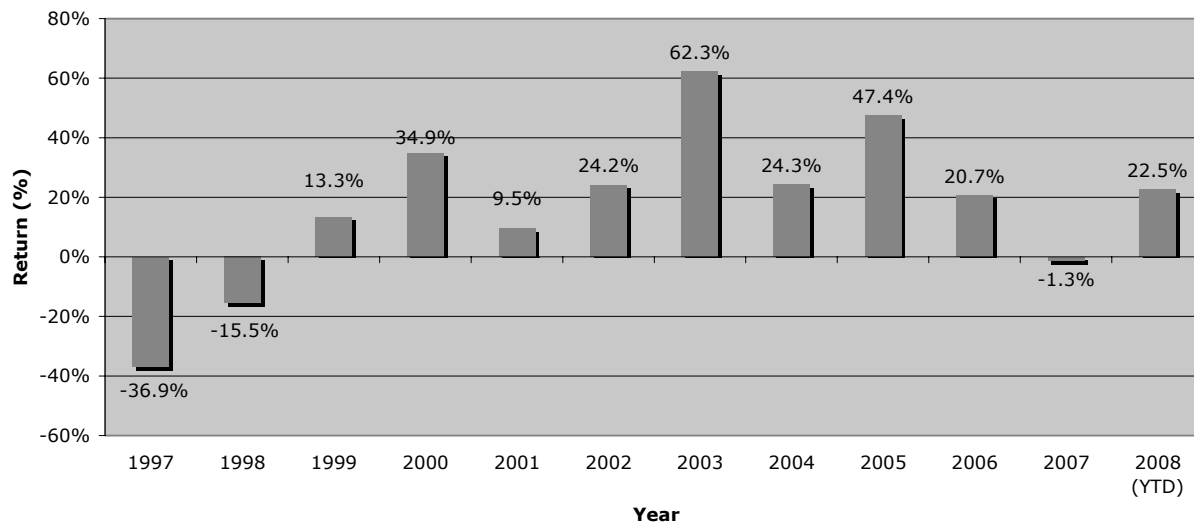
The past performance of the Fund is set out below and includes year-by-year returns and annual compound returns.

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.

YEAR-BY-YEAR RETURNS

Year-by-Year Returns



ANNUAL COMPOUND RETURNS

The following table shows the Fund's historical annual compound total return for the past 10, five, three and year-to-date financial year periods, as compared to the performance of the S&P/TSX Composite Index.

	Past 10 Years	Past 5 Years	Past 3 Years	Year-to-date
Front Street Growth Fund ⁽¹⁾	23.5%	31.9%	26.2%	22.5%
S&P/TSX Composite Index	7.0%	15.7%	13.5%	4.6%

(1) Prior to July 23, 1999, the advisor to the Fund was MOF Management Ltd.. On June 20, 2008, the Fund's name was changed from Front Street Small Cap Canadian Fund to Front Street Growth Fund.

The S&P/TSX Composite 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 (TSX). Prior to May 1, 2002, this index was called the TSE 300 Composite Index. The Fund outperformed the S&P/TSX Composite Index for each of the past 10, five, three and one year financial periods.

Summary of Investment Portfolio as at June 30, 2008

Portfolio by Category	Percentage of Net Asset Value ¹
Cash and Short-Term Notes	3.1%
Equities	
Materials	36.6%
Energy	53.4%
Utilities	5.2%
Financial Services	1.3%
Industrials	2.3%
Total Equities	98.8%
Total Investments Portfolio	98.8%
Total Investments Portfolio Including Cash and Short-Term	101.9%
Other Assets	(1.9%)
<hr/> Total Net assets	<hr/> 100.0%
	Percentage of Net Asset Value ¹
Top 25 Investments	
Pacific Rubiales Energy Corporation	7.4%
ProEx Energy Limited	6.4%
Trican Well Service Limited	5.3%
Crew Energy Inc.	5.3%
Petrobank Energy and Resources Limited	4.4%
Bankers Petroleum Limited	4.2%
Silver Wheaton Corporation	3.9%
Pristine Power Inc.	3.6%
Wave Energy Limited	3.1%
Baytex Energy Trust	3.1%
Goldcorp Inc.	3.0%
Sherritt International Corporation	3.0%
North West Upgrading Inc.	2.7%
Barrick Gold Corporation	2.6%
Minefinders Corporation Limited	2.5%
Ivanhoe Mines Limited	2.5%
Lundin Mining Corporation	2.5%
Franco-Nevada Corporation	2.3%
Calfrac Well Services Limited	2.3%
FNX Mining Company Inc.	2.0%
West Energy Limited	2.0%
Uranium Participation Corporation	2.0%
Silverstone Resources Corporation	1.9%
Golden Predator Mines Inc. Restricted	1.5%
Laricina Energy Limited Restricted	1.5%

¹ Based on GAAP NAV as at June 30, 2008.

The information contained in the foregoing list may change due to the ongoing portfolio transactions of the Fund. A quarterly update may be obtained by contacting the Investment Advisor.



Interim Financial Statements of

FRONT STREET GROWTH FUND
A FRONT STREET CAPITAL MUTUAL FUND

For the six months ended June 30, 2008

**FRONT STREET GROWTH FUND
(FORMERLY FRONT STREET SMALL CAP CANADIAN FUND)
STATEMENT OF NET ASSETS
AS AT JUNE 30, 2008 (UNAUDITED) AND DECEMBER 31, 2007**

	2008 <i>(note 2)</i>	2007 <i>(note 2)</i>
ASSETS		
Investments, at fair value (cost - \$198,040,769; 2007 - \$151,692,214)	\$ 266,112,704	\$ 186,254,414
Cash and cash equivalents	8,235,898	32,769,071
Accounts receivable related to units issued	838,941	78,137
Accounts receivable relating to portfolio assets sold	308,042	-
Accrued dividends and interest receivable	191,588	155,137
	<u>\$ 275,687,173</u>	<u>\$ 219,256,759</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 907,863	\$ 639,020
Performance fees payable, note 4	133,339	-
Accounts payable for units redeemed	508,569	428,505
Due to broker	5,000,000	121,203
	<u>6,549,771</u>	<u>1,188,728</u>
Net assets representing unitholders' equity	<u>\$ 269,137,402</u>	<u>\$ 218,068,031</u>
Net assets applicable to outstanding units allocated as follows:		
Net asset value, Series A	\$ 102,574,089	\$ 79,411,486
Units outstanding, Series A, note 3	12,732,405	12,097,480
Net asset value per unit, Series A	<u>8.06</u>	<u>6.56</u>
Net asset value, Series B	\$ 149,021,697	\$ 125,183,315
Units outstanding, Series B, note 3	18,497,893	19,070,322
Net asset value per unit, Series B	<u>8.06</u>	<u>6.56</u>
Net asset value, Series F	\$ 17,541,616	\$ 13,473,230
Units outstanding, Series F, note 3	2,122,123	2,006,235
Net asset value per unit, Series F	<u>8.27</u>	<u>6.72</u>

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



Gary P. Selke
Management Committee Member



Normand G. Lamarche
Management Committee Member

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND
(FORMERLY FRONT STREET SMALL CAP CANADIAN FUND)
STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30**

	2008	2007
Investment income		
Interest income	\$ 554,919	\$ 815,433
Dividend income	338,253	454,146
Less: Foreign withholding taxes	(6,628)	-
	<u>886,544</u>	<u>1,269,579</u>
Expenses		
Management fees, note 4	2,433,415	2,587,430
Performance fees, note 4	2,921,324	221,190
Custodial fees	340,131	295,793
Administration fees	141,010	75,219
Securityholder reporting costs	27,902	23,000
Legal fees	17,405	20,910
Audit fees	17,405	13,355
Trustees' fees	7,472	5,228
Other fees	8,290	5,209
	<u>5,914,354</u>	<u>3,247,334</u>
Net investment loss for the period	<u>(5,027,810)</u>	<u>(1,977,755)</u>
Realized and unrealized gain (loss) on investments		
Realized gain on sale of investments	20,194,649	35,202,257
Transaction costs, note 2 and 5	(406,768)	(329,648)
Change in unrealized appreciation (depreciation) of value of investments	33,775,617	(16,912,549)
Net gain on investments for the period	<u>53,563,498</u>	<u>17,960,060</u>
Increase in net assets from operations for the period	<u>48,535,688</u>	<u>15,982,305</u>

Increase in net assets from operations applicable to outstanding units allocated as follows:

Increase in net assets from operations, Series A	\$ 17,964,971	\$ 5,265,066
Increase in net assets from operations per unit, Series A	<u>\$ 1.49</u>	<u>\$ 0.43</u>
Increase in net assets from operations, Series B	\$ 27,420,372	\$ 9,812,535
Increase in net assets from operations per unit, Series B	<u>\$ 1.49</u>	<u>\$ 0.43</u>
Increase in net assets from operations, Series F	\$ 3,150,345	\$ 904,704
Increase in net assets from operations per unit, Series F	<u>\$ 1.56</u>	<u>\$ 0.50</u>

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND
(FORMERLY FRONT STREET SMALL CAP CANADIAN FUND)
STATEMENT OF CHANGES NET ASSETS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30**

	2008 <i>(note 2)</i>	2007 <i>(note 2)</i>
Series A		
Net assets, beginning of period	\$ 79,411,486	\$ 81,530,943
Adoption of new accounting policy, note 2	-	(289,286)
Adjusted net assets, beginning of period	79,411,486	81,241,657
Increase in net assets from operations	17,964,971	5,265,066
Unitholder Transactions		
Capital contributions	11,996,953	9,542,395
Redemptions	(6,458,055)	(7,038,121)
Net transfer of units to other funds	(341,266)	(441,674)
Units issued on reinvestment of distributions	-	(167,429)
	5,197,632	1,895,171
Increase in net assets for the period	23,162,603	7,160,237
Net assets, end of period	\$ 102,574,089	\$ 88,401,894
Series B		
Net assets, beginning of period	125,183,315	158,840,823
Adoption of new accounting policy, note 2	-	(572,288)
Adjusted net assets, beginning of period	125,183,315	158,268,535
Increase in net assets from operations	\$ 27,420,372	\$ 9,812,535
Unitholder Transactions		
Capital contributions	11,764,416	19,373,000
Redemptions	(15,324,516)	(32,352,155)
Net transfer of units to other funds	(21,890)	(1,133,423)
Units issued on reinvestment of distributions	-	(178,780)
	(3,581,990)	(14,291,358)
Increase (decrease) in net assets for the period	23,838,382	(4,478,823)
Net assets, end of period	\$ 149,021,697	\$ 153,789,712

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND
(FORMERLY FRONT STREET SMALL CAP CANADIAN FUND)
STATEMENT OF CHANGES NET ASSETS (UNAUDITED)
FOR THE SIX MONTHS ENDED JUNE 30**

	2008 <i>(note 2)</i>	2007 <i>(note 2)</i>
Series F		
Net assets, beginning of period	13,473,230	9,086,624
Adoption of new accounting policy, note 2	-	(32,305)
Adjusted net assets, beginning of period	13,473,230	9,054,319
Increase in net assets from operations	\$ 3,150,345	\$ 904,704
Unitholder Transactions		
Capital contributions	1,866,406	7,704,997
Redemptions	(1,156,506)	(2,605,605)
Net transfer of units from other funds	208,141	349,200
Units issued on reinvestment of distributions	-	(34,400)
	918,041	5,414,192
Increase in net assets for the period	4,068,386	6,318,896
Net assets, end of period	\$ 17,541,616	\$ 15,373,215
Total		
Net assets, beginning of period	218,068,031	249,458,390
Adoption of new accounting policy, note 2	-	(893,879)
Adjusted net assets, beginning of period	218,068,031	248,564,511
Increase in net assets from operations	\$ 48,535,688	\$ 15,982,305
Unitholder Transactions		
Capital contributions	25,627,775	36,620,392
Redemptions	(22,939,077)	(41,995,881)
Net transfer of units to other funds	(155,015)	(1,225,897)
Units issued on reinvestment of distributions	-	(380,609)
	2,533,683	(6,981,995)
Increase in net assets for the period	51,069,371	9,000,310
Net assets, end of period	\$ 269,137,402	\$ 257,564,821

See accompanying notes to the financial statements

FRONT STREET GROWTH FUND
(FORMERLY FRONT STREET SMALL CAP CANADIAN FUND)
STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2008

	Number of Shares/ Units		Cost \$	Fair Value \$
Energy (53.4%)				
AltaGas Income Trust	102,444	\$	2,678,757	\$ 2,623,591
Bankers Petroleum Limited	5,886,500		4,301,547	10,654,565
Bankers Petroleum Limited Warrants March 1, 2012	750,000		300,000	705,000
Baytex Energy Trust	236,400		4,606,031	8,221,992
Bordeaux Energy Inc.	6,505,346		848,695	357,794
Calfrac Well Services Limited	190,000		3,182,605	6,104,700
Crew Energy Inc.	767,650		8,425,052	14,155,466
EarthFirst Canada Inc.	1,000,000		1,760,000	1,510,000
Hanwei Energy Services Corporation	764,100		3,824,486	2,689,632
Laricina Energy Limited Restricted	160,000		2,000,000	4,000,000
North West Upgrading Inc.	1,000,000		1,000,000	4,000,000
North West Upgrading Inc. Restricted	825,000		3,000,000	3,300,000
OPTI Canada Inc.	126,000		1,919,927	2,905,560
OZZ Corporation Restricted	671,939		488,570	671,939
Pacific Rubiales Energy Corporation	1,161,111		6,407,157	15,570,499
Pacific Rubiales Energy Corporation Warrants July 12, 2012	625,000		-	4,312,500
Petrobank Energy and Resources Limited	221,795		11,281,686	11,746,263
ProEx Energy Limited	748,800		9,897,622	17,192,449
Progress Energy Trust	50,000		553,400	727,000
Trican Well Service Limited	562,600		9,002,986	14,233,780
Tusk Energy Inc.	573,968		713,155	1,664,507
UTS Energy Corporation	450,000		2,707,570	2,677,500
Wave Energy Limited	1,675,000		3,578,409	8,375,000
West Energy Limited	1,400,000		3,318,000	5,390,000
			<u>85,795,655</u>	<u>143,789,737</u>
Materials (36.6%)				
Barrick Gold Corporation	149,290		4,744,487	6,936,013
Blackstone Ventures Inc.	3,103,181		1,294,806	1,303,336
Consolidated Thompson Iron Mines Limited	120,850		1,110,743	1,062,272
Detour Gold Corporation	150,000		2,840,140	3,685,500
Endeavour Mining Capital Corporation Warrants November 10, 2008	50,000		-	92,000
Everton Resources Inc.	1,300,000		1,625,000	396,500
Everton Resources Inc. Warrants August 20, 2008	650,000		-	-
FNX Mining Company Inc.	228,606		6,391,112	5,509,405
Franco-Nevada Corporation	250,000		3,798,333	6,147,500
Full Metal Minerals Limited	1,047,500		1,215,500	1,466,500
Full Metal Minerals Limited Warrants November 9, 2008	105,000		-	-
GBS Gold International Inc.	450,000		945,000	648,000
Goldcorp Inc.	171,500		3,711,203	8,060,500
Golden Predator Mines Inc. Restricted	2,500,000		5,000,000	4,094,000
Golden Star Resources Limited	7,000		29,295	19,040
Guyana Goldfields Inc.	619,867		1,113,566	2,646,832
Ivanhoe Mines Limited	601,300		5,600,279	6,644,365
Lundin Mining Corporation	1,064,016		11,854,860	6,607,539
MDN Inc. Warrants January 14, 2009	500,000		-	145,000
Minefinders Corporation Limited	640,300		5,506,815	6,723,150
Peak Gold Limited	2,000,000		1,399,200	1,520,000
Peregrine Diamonds Limited	1,381,066		912,885	290,024
Sherritt International Corporation	524,689		5,855,160	8,048,729
Silver Wheaton Corporation	522,420		6,545,959	7,815,403
Silver Wheaton Corporation Warrants August 5, 2009	1,250,000		-	2,800,000
Silverstone Resources Corporation	2,000,000		5,040,000	5,240,000

See accompanying notes to the financial statements

**FRONT STREET GROWTH FUND
(FORMERLY FRONT STREET SMALL CAP CANADIAN FUND)
STATEMENT OF INVESTMENT PORTFOLIO (UNAUDITED)
AS AT JUNE 30, 2008**

	Number of Shares/ Units	Cost \$	Fair Value \$
Materials (36.6%) - continued			
Sprott Resource Corporation	78,000	145,080	347,880
UEX Corporation	357,500	2,545,633	1,594,450
Uranium One Inc.	100,000	1,035,860	478,000
Uranium Participation Corporation	550,000	5,641,375	5,357,000
Uranium Power Corporation	3,641,000	724,418	1,456,400
Wild River Resources Limited Restricted	500,000	1,500,000	1,500,000
		<u>88,126,709</u>	<u>98,635,338</u>
Utilities (5.2%)			
Plutonic Power Corporation	500,000	3,315,000	3,650,000
Pristine Power Inc.	2,500,000	10,000,000	9,625,000
Zongshen PEM Power Systems Inc.	250,000	765,000	625,000
		<u>14,080,000</u>	<u>13,900,000</u>
Industrials (2.3%)			
* General Electric Company	100,000	3,088,976	2,718,919
Mullen Group Income Fund	100,000	2,211,726	2,258,000
Polaris Minerals Corporation	248,721	2,238,489	1,310,760
		<u>7,539,191</u>	<u>6,287,679</u>
Financial Services (1.3%)			
GMP Capital Trust	80,000	618,016	1,272,000
Gluskin Sheff + Associates Inc.	75,000	1,387,500	1,455,750
Sprott Inc.	78,000	697,082	772,200
		<u>2,702,598</u>	<u>3,499,950</u>
Transaction costs, note 2		<u>(406,768)</u>	<u>-</u>
Total Investments (98.8%)		<u>\$ 198,040,769</u>	266,112,704
Cash and Short Term Notes (3.1%)			8,235,898
Other Assets less Other Liabilities (-1.9%)			<u>(5,211,200)</u>
Net Assets (100.0%)			<u>\$ 269,137,402</u>

* Non Canadian Holdings

See accompanying notes to the financial statements

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. THE FUND

Front Street Growth Fund (the "Fund") (formerly Front Street Small Cap Canadian Fund) changed its name pursuant to a special resolution of the company passed on June 20, 2008. The Fund is an open-ended mutual fund trust which was created under the laws of the Province of British Columbia on July 26, 1985.

The Fund is managed by Front Street Capital 2004 (the "Fund 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. RBC Dexia Investor Services Trust is the trustee (the "Trustee") and custodian of the Fund and provides unitholder recordkeeping services. Felcom Data Services Inc. provides fund accounting services.

The Fund's principal investment objective is to achieve above-average performance through investment in the equity securities of a diversified group of publicly traded companies, using a top-down/bottom-up approach to achieve capital appreciation.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Adoption of new accounting standards – Financial instruments

On January 1, 2008 the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Section 3862, Financial Instruments – Disclosures ("Section 3862") and CICA Section 3863, Financial Instruments – Presentation ("Section 3863"), replacing Section 3861. Section 3862 requires enhanced disclosure of the nature and extent of the risks arising from financial instruments and how the Funds manage those risks. Section 3863 carries forward unchanged the presentation requirement of 3861 with respect to financial instruments.

In April 2005, CICA issued Section 3855, Financial Instrument - Recognition and Measurement, effective for financial statements relating to fiscal years beginning on or after October 1, 2006. This section establishes standards for the fair valuation of financial instruments, including the Fund's investments, and the accounting treatment for transaction costs. Section 3855 requires that the fair value of financial instruments which are traded in active markets be measured based on the bid price for long securities and the ask price for short securities. Prior to the implementation of this new standard, the fair value was based on the last traded price for the day, when available. Section 3855 also requires that transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities be charged to net income in the year. Prior to this new standard, these costs were added to the cost of the securities purchased or deducted from the proceeds of sale. Section 3855 has been applied retrospectively without restatement of prior years effective January 1, 2007. The cost of individual investments in the Statement of Investment Portfolio are recorded at total cost including transaction costs. Accordingly, the opening net assets in the Statement of Changes in Net Assets for the six months ended June 30, 2007 have been adjusted to reflect these changes in valuation.

National Instrument 81-106 ("NI 81-106"), Section 14.2 issued by the Canadian Securities Administrators ("CSA") in 2005, requires the daily net asset value ("NAV") of an investment fund to be calculated in accordance with Canadian generally accepted accounting principles ("GAAP"). The CSA had granted temporary relief to investment funds from complying with Section 3855, for the purpose of calculating and reporting of NAV (other than for financial reporting purposes) until September 30, 2008. This temporary relief

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

was to permit review of the suitability of these financial reporting requirements for the purposes other than the financial statements, such as the purchase and redemption price of units in an investment fund. The CSA has completed this review and has proposed amendments to NI 81-106 that will permit funds to have two different net asset values: one for financial statements, which will be prepared in accordance with Canadian GAAP (referred to as "net assets"); and another for all the other purposes including unit pricing (referred to as "net asset value"). These financial statements have been prepared on a basis consistent with the proposed amendments including reconciliation between net assets and net asset value (see note 9).

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. Securities for which reliable quotations are not readily available are valued at fair value, as determined in good faith and pursuant to procedures established by the Manager.

(ii) Any investment for which a market quotation is not readily available ("private companies") shall be valued at cost, in the absence of any subsequent financing, or shall be valued at its fair value as determined by the Manager.

(iii) Investments which are restricted as to transferability are valued at the fair value of the unrestricted investment as provided in paragraphs (i) and (ii) 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 used had a ready market existed for investments.

(iv) Short-term investments are valued at amortized cost, which approximates fair value.

(v) 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.

(vi) The fair value of other financial assets and liabilities approximate their carrying values due to the short-term nature of these instruments.

c) Transaction costs

In accordance with Section 3855, 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 securities cost shown on the Statement of Investment Portfolio includes only those transaction costs incurred on the acquisition of portfolio investments. Prior to the adoption of Section 3855, transaction costs were capitalized and included in the cost of purchase or proceeds from sale of investments. The impact on the net assets of the investment fund is the same regardless of which accounting method is utilized.

d) 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.

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

e) Investment transactions and income recognition

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

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

f) Income taxes

The Fund presently qualifies as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund allocates to its unitholders sufficient net income and net realized capital gains so that it will not be subject to income taxes. Foreign income received is subject to foreign withholding taxes.

g) 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.

h) Net assets per unit

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

i) Earnings (loss) per unit

Earnings (loss) per unit are based on the increase (decrease) in net assets from operations attributable to each series of units divided by the weighted average number of units outstanding of that series during the period.

j) 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 amount 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 period. Actual results may differ from those estimates.

k) Future accounting changes

In January 2006, the CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, the AcSB confirmed in February 2008 that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP in 2011 for profit oriented Canadian publicly accountable enterprises.

The Manager is currently evaluating the impacts of this change and developing its plan for the Fund. The manager has presently determined that there will be no impact to net asset value per unit from the changeover to IFRS. The impact of IFRS on accounting policies and implementation decisions will mainly be in the areas of additional notes disclosures in the financial statements of the fund. The Manager will develop a plan prior to the 2008 year end and will disclose this plan in the 2008 annual financial statements.

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of units which are available in three series and which rank equally in all respects and represent a pro rata interest in the net assets of the Fund. Redemption and commission fees vary according to each series of unit as follows:

Series A units

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

Series B units

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

Series F units

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

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

The following unit transactions took place during the period:

	2008	2007
<hr/>		
Units outstanding, beginning of the year:		
Series A	12,097,480	12,168,022
Series B	19,070,322	23,704,773
Series F	2,006,235	1,337,207
Units issued during the period:		
Series A	1,578,102	1,381,465
Series B	1,625,320	2,879,153
Series F	275,726	1,202,824
Units redeemed during the period:		
Series A	943,177	1,117,780
Series B	2,197,749	4,956,953
Series F	159,838	415,768
Units outstanding, end of period:		
Series A	12,732,405	12,431,707
Series B	18,497,893	21,626,973
Series F	2,122,123	2,124,263
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FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

4. MANAGEMENT AND PERFORMANCE FEES

The Fund Manager provides investment and management services to the Fund. The Fund pays the Investment Advisor a monthly management fee equal to 1/12 of 2% of the net asset value of the Fund calculated and paid at the end of each month payable monthly in arrears. The Fund is responsible for payment of all operating and administrative expenses of the Fund. The main components of these expenses are professional fees, printing expenses, filing fees, custodial fees and expenses of making distributions to unitholders.

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

5. TRANSACTION COSTS

The total brokerage commissions paid by the Fund with respect to security transactions for the six months ended June 30, 2008 was \$406,708 (2007 - \$329,648).

6. RELATED PARTY TRANSACTIONS

Management fees of \$2,433,415 (2007 - \$2,587,430) were paid to the Investment Advisor during the year (see note 4). Performance fees of \$2,921,324 (2007 - \$221,190) were also paid to the Investment Advisor during the year (see note 4). Included in accounts payable and accrued liabilities is \$449,144 (2007 - \$202,476) of management fees payable to the Investment Advisor. Included in performance fees payable is \$133,339 (2007 - \$Nil) of performance fees payable to the Investment Advisor.

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 six months ended June 30, 2008, Tuscarora Capital Inc., a company under common control to the Manager, received \$19,305 (2007 - \$25,316) in commissions on portfolio transactions for the Fund.

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

7. DISTRIBUTION POLICY

The Fund intends to distribute all of its income for purposes of the Income Tax Act, including sufficient net realized capital gains (less applicable losses), on an annual basis, so that the Fund will not be liable for income tax. Distributions over the life of the Fund will be derived primarily from net realized capital gains and income from the Portfolio.

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

8. INDEMNIFICATION OF THE MANAGER

The Fund, pursuant to the Trust Agreement, will indemnify the Manager, its partners, directors, officers, employees and agents out of the Trust Property from all claims that may arise in connection with the exercise of its duties as Manager if they do not result from the Manager's willful misconduct, bad faith, gross negligence or reckless disregard of its duties, or breach of its obligations as manager under the Trust Agreement which have not been delegated to the Fund's investment advisor.

9. RECONCILIATION OF NET ASSET VALUE

On April 1, 2005, CICA issued Section 3855, "Financial Instruments – Recognition and Measurement" of the CICA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. Section 3855 applies to fiscal years beginning on or after October 1, 2006. Additionally, Section 14.2 of National Instrument 81-106 ("NI 81-106"), issued by the Canadian Securities Administrators in 2005, requires the daily net asset value of an investment fund to be calculated in accordance with Canadian GAAP. The adoption of Section 3855 would result in the use of different valuation techniques for certain investments.

Canadian securities regulatory authorities granted relief to investment funds from the requirement to comply with Section 3855, for the purposes of calculating net asset value used for investor transactions ("Pricing NAV") to the earlier of (i) September 30, 2008, or (ii) the date on which changes to Section 14.2 of NI 81-106 come into effect. The Canadian Securities Administrators are currently reviewing the suitability of applying Section 3855 for purposes other than the preparation of financial statements. Depending on the outcome of such review, the method by which the net asset value is calculated as governed by Section 3855 may result in a change to the purchase and redemption price of an investment fund on the date of such change on October 1, 2008. For these financial statements, the Funds adopted the provisions of Section 3855 retroactively without restatement of prior periods.

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 Canadian generally accepted accounting principles ("GAAP NAV") of an investment fund is required for financial reporting periods commencing December 31, 2007. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining transactional NAV. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques (see note 2), rather than the use of valuation techniques in general practice in the investment funds industry.

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

As at June 30, 2008

	Net Asset Value			Net Asset Value per Share	
	Transactional NAV	Section 3855 Adjustment	GAAP NAV	Transactional NAV	GAAP NAV
Series A	\$ 102,990,936	\$ (416,847)	\$ 102,574,089	\$ 8.09	\$ 8.06
Series B	149,627,302	(605,605)	149,021,697	8.09	8.06
Series F	17,612,668	(71,052)	17,541,616	8.30	8.27
Total Net Asset Value	270,230,906	(1,093,504)	269,137,402		

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund's investment activities expose it to various types of risk associated with the financial instruments and markets in which it invests directly. The following is a summary of the main risks:

Credit risk

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 also invests 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 obligation when they come due. The extent of the Fund's exposure to credit risk in respect of these financial assets is reflected in their carrying value as recorded in the Fund's Statement of Net Assets.

Liquidity risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder 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. The following table details the Fund's liquidity analysis for the financial liabilities.

					2008
	Less than one month	1-3 months	3-12 months	Greater than one year	Total
	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	-	907,863	-	-	907,863
Performance fees payable	133,339	-	-	-	133,339
Liability for units redeemed	508,569	-	-	-	508,569
Liabilities for portfolio assets purchased	5,000,000	-	-	-	5,000,000
	5,641,908	907,863	-	-	6,549,771
Net assets representing unitholders' equity	269,137,402				269,137,402

Price risk

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

Price sensitivity

The following details the Fund's sensitivity to 5% increase and decrease in the fair value, with 5% being the sensitivity rate used when reporting price internally to key management personnel and representing management's assessment of possible change in fair value.

FRONT STREET GROWTH FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

At June 30, 2008, if the fair value had been 5% higher with all other variables held constant, the increase in net assets representing unitholders' equity for the period would have been \$13,305,635 higher, arising due to the increase in the fair value of financial assets at fair value by \$13,305,635.

If fair value had been 5% lower with all other variables held constant, the decrease in net assets representing unitholders' equity for the period would have been \$13,305,635 lower, arising mainly due to the decrease in the fair value of financial assets at fair value by \$13,305,635.

Currency risk

The Fund holds assets denominated in currencies other than Canadian Dollars which is the functional currency. The Fund is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuates due to change in exchange rates.

As at June 30, 2008, the Fund had no material foreign currency exposure.

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 June 30, 2008, there were no investments owned which are held in bonds. There were no investments in short-term investments of the investments owned. The remaining portion of the Fund's assets is substantially non-interest bearing equity investments and its exposure to interest rate changes is minimal.

Capital management

Management considers the Fund's capital to consist of the net assets representing unitholders' equity.

The Investment Advisor 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 unitholder redemptions. The Fund's overall strategy for managing capital remains unchanged from 2007.

The Fund does not have any externally imposed capital requirements.



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