



Front Street Long/Short Income Fund Ltd.

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Fund Description

Front Street Long/Short Income Fund Ltd. ("LSIF") seeks to generate stable yield-dependent long-term returns by investing in a diversified portfolio of long and short Canadian income trust securities and other yield-generating securities. The portfolio managers employ fundamental, credit-oriented analysis to assess the dividend payouts of both traditionally high-yielding sectors, such as financial services and telecommunications, as well as companies organized as Canadian income trusts. The fund focuses on stable and growing cash flow and yields as opposed to capital appreciation and largely ignores interim fluctuations in value resulting from technical factors. Although the fund is long-biased, the short side of the portfolio usually represents pair trades. On October 31, 2006, the Canadian federal government made an unanticipated announcement that the income trust form of entity would lose its tax-advantaged status in 2010, giving rise to a four-year transition period, after which income trusts would be taxed as if they were corporations. Front Street intends to continue its management of the fund during the income trust transition period and beyond by taking advantage of mispricing opportunities in the income trust sector, and by investing in an increasingly diverse basket of yielding securities such as collateralized debt obligations and other structured finance products.

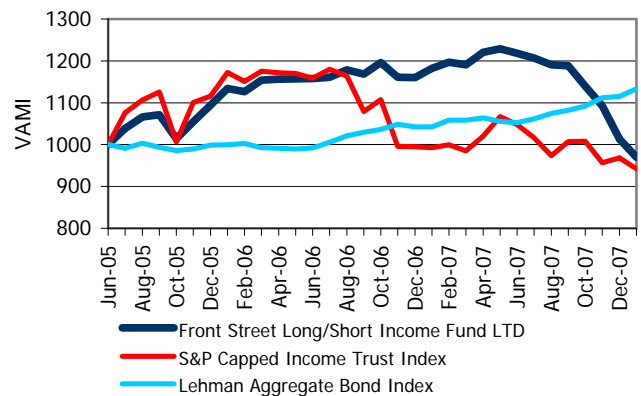
Monthly Performance (%) Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-4.3%	-1.5%											-5.6%
2007	1.9%	1.3%	-0.6%	2.5%	0.7%	-0.9%	-1.0%	-1.4%	-0.2%	-4.1%	-4.1%	-7.3%	-12.7%
2006	3.7%	-0.7%	2.4%	0.2%	0.1%	0.1%	0.2%	1.5%	-0.8%	2.4%	-2.9%	-0.1%	6.1%
2005							3.9%	2.6%	0.5%	-5.4%	4.0%	3.7%	9.4%

Fund Statistics

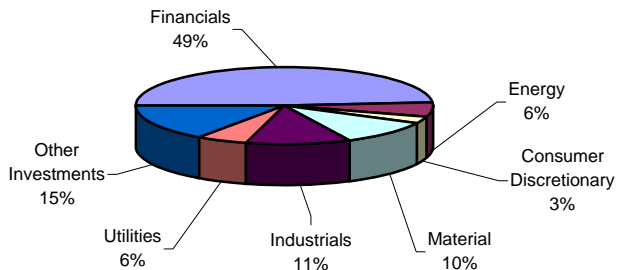
	FUND	S&P Cap. Inc. Trust Index	Lehman Aggregate Bond Index
Comp. Ann. Return	-1.7%	-0.4%	4.9%
1 Year Return	-20.1%	-1.1%	7.3%
Since Inception	-4.4%	-0.7%	13.5%
Largest Month Gain	4.0%	9.4%	1.8%
Largest Month Loss	-7.3%	-10.6%	-1.0%
Max. Drawdown	-22.2%	-20.2%	-1.8%
R-Squared	-	0.40	0.03

Value Per \$1000 Invested at Fund Inception



Portfolio and Holdings Analysis

SECTOR ALLOCATION of LONG HOLDINGS (as at December 31, 2007)



PORTFOLIO COMPOSITION* (as at September 30, 2007)

Top Ten Holdings (in alphabetical order)

- BOTTICELLIE EQUITY
- CARLYLE CAPITAL CORPORATION LT
- DUKE FUNDING
- HOLLOWAY REIT
- IXIS ABS CDO LTD
- LAFAYETTE PFD REG S
- NEW BRUNSWICK PROV
- PRIMARY ENERGY RECYL
- SUITEWORKS INC
- WHITEHORSE CDO

* Long positions only, short positions are not disclosed.

* Information is disclosed back-dated by a minimum of two months

Summary of Fund Terms

Portfolio Managers	Frank Mersch, Eric Dzuba & Prakash Hariharan	Lock Up	30 Days
Fund AUM (US\$)	\$1,080,631	Minimum Initial Subscription (US\$)	\$100,000
Strategy AUM (approx US\$)	\$54,000,000	Year End	31-Dec
Performance Fee	20% of net profits if annual ROR is 6% +	Redemption After Lock Up	Monthly with 30 Days Notice
Management Fee	2% per annum, charged monthly based on average weekly NAV	Contributions	Monthly
Administrator	Royal Bank of Canada Trust Company (Cayman)	Auditors	Deloitte (Cayman)
		Prime Broker	National Bank of Canada