



Front Street Resource Hedge Fund

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Fund Description

Front Street Resource Hedge Fund ("RHF") seeks to generate long-term capital appreciation by investing primarily in the equities of small- and medium-sized Canadian companies engaged in natural resources industries including minerals, energy, forest products and water. Currently, RHF is focused on supply-constrained base metals such as copper, nickel and zinc. RHF takes long positions in equities of companies selected for growth potential, access to low-cost resources, exposure to increased sector expenditures, and an ability to leverage commodity prices. Short positions are taken in the securities of more mature companies when there is perceived weakness, with selected hedging to add value and reduce risk. The portfolio managers use a top-down, macroeconomic overview, and then apply a bottom-up company selection process based on fundamental analysis coupled with market-related technical analysis and trading.

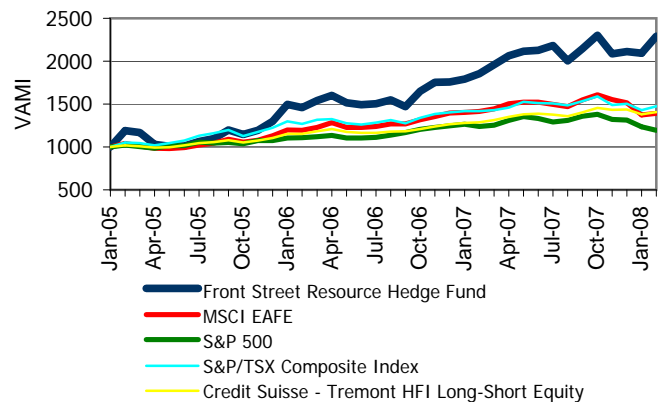
Monthly Performance (%) Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-0.9%	9.6%											8.6%
2007	2.1%	3.5%	5.5%	5.4%	2.6%	0.4%	2.8%	-8.3%	7.2%	7.4%	-9.5%	1.3%	20.3%
2006	15.4%	-2.5%	5.7%	3.7%	-5.3%	-1.6%	0.9%	2.8%	-4.9%	12.1%	6.5%	0.0%	35.3%
2005		19.0%	-1.9%	-11.7%	-2.1%	0.2%	5.3%	3.3%	9.0%	-4.2%	4.2%	8.5%	29.8%

Fund Statistics

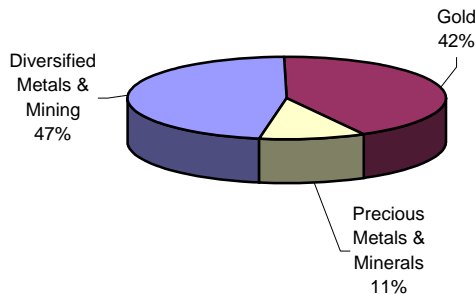
	FUND	CS/Tre HFI L-S Equity	S&P/TSX Composite Index	S&P 500	MSCI EAFE
Comp. Ann. Return	30.9%	11.7%	13.5%	5.9%	11.3%
1 Year Return	23.6%	9.3%	4.1%	-3.6%	-1.5%
Since Inception	129.3%	40.8%	47.6%	19.5%	39.2%
Largest Month Gain	19.0%	4.2%	6.0%	4.4%	6.1%
Largest Month Loss	-11.7%	-4.1%	-6.4%	-6.0%	-9.3%
Max. Drawdown	-15.3%	-5.3%	-10.1%	-13.5%	-14.4%
R-Squared	-	0.57	0.65	0.17	0.54

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)

AURORA ENERGY RES
 BARRICK GOLD CORP
 GABRIEL RESOURCES
 GOLDCORP INC
 IVANHOE MINES
 LUNDIN MINING CORP
 NEW GOLD INC
 NEW GOLD INC
 RED BACK MINING
 SILVER WHEATON

* Long positions only, short positions are not disclosed.

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

Summary of Fund Terms

Lead Portfolio Managers	Normand Lamarche & Craig Porter	Lock Up	30 Days
Fund AUM (US\$)	\$217,286,316	Minimum Initial Subscription (US\$)	\$100,000
Strategy AUM (approx US\$)	\$437,000,000	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 (Caymen)
		Prime Broker	BMO Nesbitt Burns

Front Street Resource Hedge Fund

Front Street Capital Hedge Fund Strategies

Front Street Capital manages three distinct Canadian long/short equity hedge fund portfolio strategies:

- Diversified and Opportunistic
- Sector-Specific Energy
- Sector-Specific Resources

Front Street is an established leader in the Canadian hedge fund industry, and is one of the most successful and experienced investment groups in Canada. The Firm invests only in Canadian equities, which tend to be heavily weighted towards energy and resources. Front Street's portfolio managers have demonstrated long-term success in assessing global macroeconomic and structural forces driving energy and resource markets. Front Street combines a sophisticated global macroeconomic viewpoint and comprehensive knowledge of the Canadian corporate landscape with sound fundamental and technical analysis of Canadian equities.

Hedge Strategy Asset Breakdown (February 29 2008)

Diversified and Opportunistic Long-Short Canadian Equity

	Suitability	Start	C\$ AUM ¹	Comp. Ann. Net Return
FS Canadian Opportunities Fund	Non-CDN	Mar-00	59	20.2%
FS Canadian Hedge	CDN	Jul-99	230	20.3%
FS Performance Fund II	CDN	Oct-04	84	12.2%
Total Diversified Strategy AUM			\$373	

Energy Long-Short Canadian Equity

<u>Energy Sector</u>	Suitability	Start	C\$ AUM ¹	Comp. Ann. Net Return
FS Energy Venture	Non-CDN	Jan-06	63	5.2%
FS Energy & Power Performance Fund	Non-CDN	Sep-03	250	24.6%
FS Energy Growth Fund	CDN	Feb-02	67	14.9%
Total Resources AUM			\$380	

Resource Long-Short Canadian Equity

<u>Resource Sector</u>	Suitability	Start	C\$ AUM ¹	Comp. Ann. Net Return
FS Mining Opportunities Fund	CDN	Jan-05	86	40.5%
FS Resource Hedge Fund	Non-CDN	Feb-05	217	30.9%
FS Resource Hedge Fund (sub acct)	n/a	Jun-05	134	38.3%
Total Resources AUM			\$437	

Hedge Strategy Asset Breakdown Totals

Total Diversified Strategy AUM	\$373
Total Energy AUM	\$380
Total Resources AUM	\$437
Total Hedge Strategy AUM	\$1,190

¹ All Assets Expressed in CDN\$ Millions (CDN \$1 = Approx US \$0.99)

Strategy Commentary (February 29 2008)

Notwithstanding the mounting credit concerns and a weakening U.S. economy, resource stocks staged a comeback in February, as commodity prices powered forward. Global cyclical stocks moved ahead on the growing optimism that the global economy could weather the U.S. economic storm. Supply issues in South Africa (power) and China (weather) severely impacted production and disrupted supplies of many commodities. The Platinum/Palladium commodities in particular, benefitted from the South African power rationing issues facing the metal producers. The commodities were up 23% and 38% respectively during the month. The Base Metals rose anywhere from a low of 10.6% (zinc) to a high of 18.1% (lead). Iron Ore, Coal, Fertilizers as well as all food commodities were all seemingly running out of control, sending shivers up the Central Bankers' spines.

Share prices followed suit in February. In Canada, the S&P/TSX materials sub index climbed 9.0%. Within the group the Golds rose 5.2% while the metals and minerals climbed 8.9%. The Front Street Resource Hedge Fund rose 9.62% during the same period. Contributing to the gains were the Coals (+76 bps), Uraniums (+68 bps), Precious Metals (+292 bps) and Base Metals (+526 basis points).

The on-going weakness in the global capital markets is calling into question the sustainability of the commodity boom. Both currency and Fund flows have played a significant role in driving prices, as have real fundamentals. Notwithstanding our view about the long-term secular growth out of the emerging nations, these groups are cyclical and require a stable and growing economic platform. The credit issues have placed stock investors on the sidelines awaiting clarity. For investors to take these stocks higher, they need firstly to see a stable and sound financial system. With the recent measures announced by the Central Banks, we believe we are close to seeing stability.

Stability however, will change fund flows over the short term, particularly negatively impacting the precious metals. Stability should not only bring about lower commodity prices, but also a greater willingness to buy shares. Hang on to your hats!

Norm Lamarche
Portfolio Manager

General Information

Front Street Resource Hedge Fund is offered by Offering Memorandum, only to investors who meet certain eligibility or minimum purchase requirements in jurisdictions outside of Canada. The Offering Memorandum contains important information about Front Street Resource Hedge Fund, including management fees, other charges and expenses and should be read carefully before investing. Performance data represents past performance and is not indicative of future performance. Data based on history of less than five years may not give investors enough information to base investment decisions on. Refer to the Benchmark Disclaimer on the following pages for important information that must be considered in interpreting this data. See the following page for a description of the indices. This document should not be considered as a solicitation.