



CRESTSTREET

Oil + Gas



2008 CORPORATE PROFILE

OIL > GAS > WIND

Excellence

in energy investing



CRESTSTREET

CORPORATE PROFILE

Creststreet specializes in structuring and managing high-quality energy investment products for Canadian and International institutional and high net worth investors. Creststreet has developed industry leading expertise in both conventional and renewable energy investment management. Since its inception in 2000, Creststreet has raised over \$970 million for investment in resource and renewable energy companies. It is Creststreet's mission to structure and manage the highest quality energy-focused investment funds available in the Canadian capital markets.

Oil +

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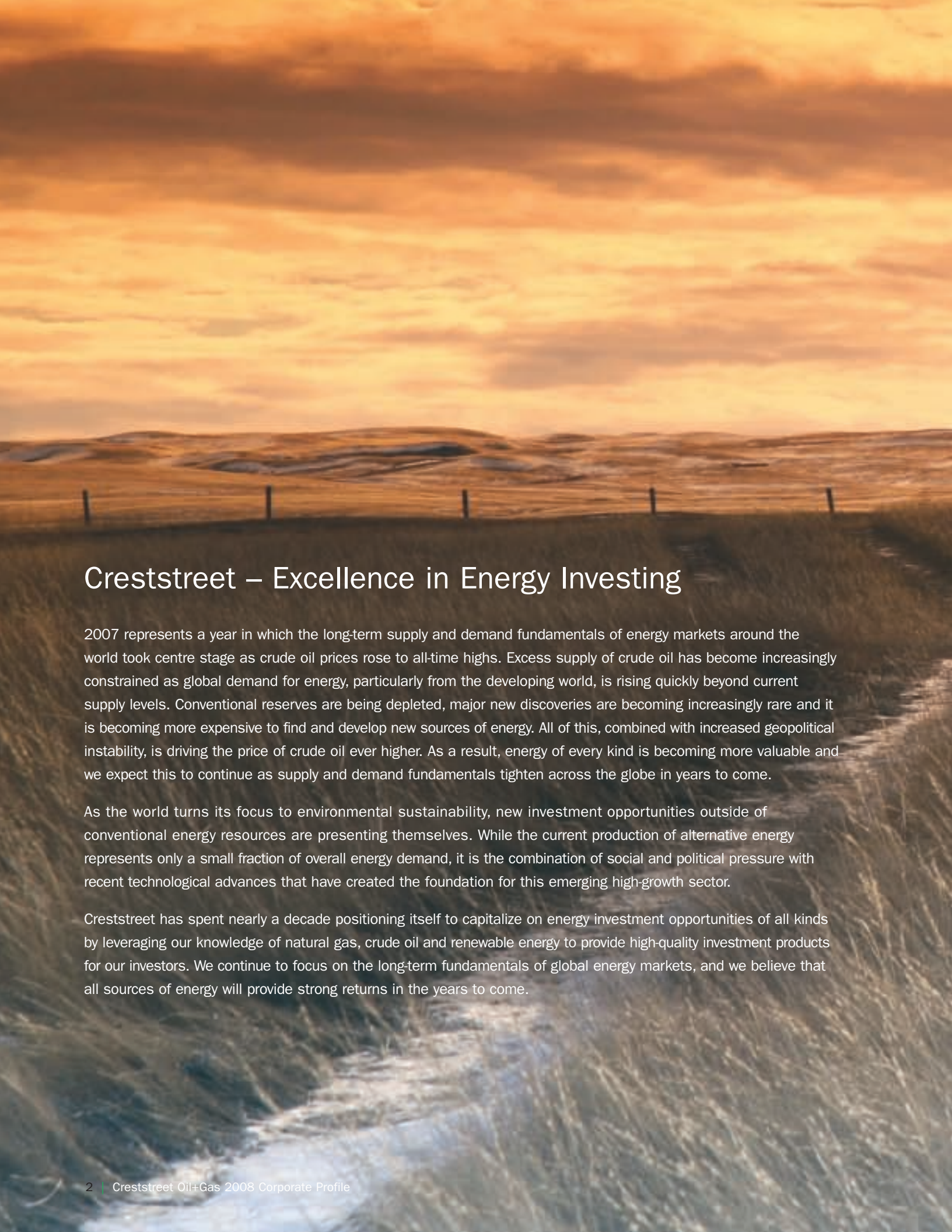
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A large yellow gas pipeline runs horizontally across the middle of the frame, supported by a metal bracket. The pipeline curves downwards on the right side. In the background, a large, craggy, light-colored rock formation rises against a clear blue sky. The foreground and middle ground are filled with green trees and shrubs. The overall scene is outdoors and appears to be a natural gas pipeline installation in a rugged, natural setting.

Gas

This document contains the opinion of Creststreet Asset Management Limited as of March 5, 2008, and, accordingly, is subject to change after such date. Certain statements contained in this document constitute “forward-looking statements” within the meaning of the Securities Act (Ontario). These statements, by their nature, are not guarantees of future performance and involve risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. We consider the assumptions on which these forward-looking statements are based to be reasonable, but caution the reader that these assumptions regarding future events, many of which are beyond our control, may ultimately prove to be incorrect. However, Creststreet Asset Management Limited expressly disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. This document includes market and industry data that has been obtained from third party sources. Although Creststreet Asset Management Limited believes such information to be reliable, it has not independently verified any of the data from third party sources, and references to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The indicated rates of return are the historical annual compound total returns including changes in share or unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or operational charges or income taxes payable by any security holder that would have reduced returns. Mutual funds and investment funds are not guaranteed, their values change frequently and past performance may not be repeated. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. This document is for information purposes only and does not constitute an offer to sell or a solicitation to buy the securities referred to herein. Creststreet Asset Management Limited is a wholly owned subsidiary of Creststreet Capital Corporation.

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Creststreet – Excellence in Energy Investing

2007 represents a year in which the long-term supply and demand fundamentals of energy markets around the world took centre stage as crude oil prices rose to all-time highs. Excess supply of crude oil has become increasingly constrained as global demand for energy, particularly from the developing world, is rising quickly beyond current supply levels. Conventional reserves are being depleted, major new discoveries are becoming increasingly rare and it is becoming more expensive to find and develop new sources of energy. All of this, combined with increased geopolitical instability, is driving the price of crude oil ever higher. As a result, energy of every kind is becoming more valuable and we expect this to continue as supply and demand fundamentals tighten across the globe in years to come.

As the world turns its focus to environmental sustainability, new investment opportunities outside of conventional energy resources are presenting themselves. While the current production of alternative energy represents only a small fraction of overall energy demand, it is the combination of social and political pressure with recent technological advances that have created the foundation for this emerging high-growth sector.

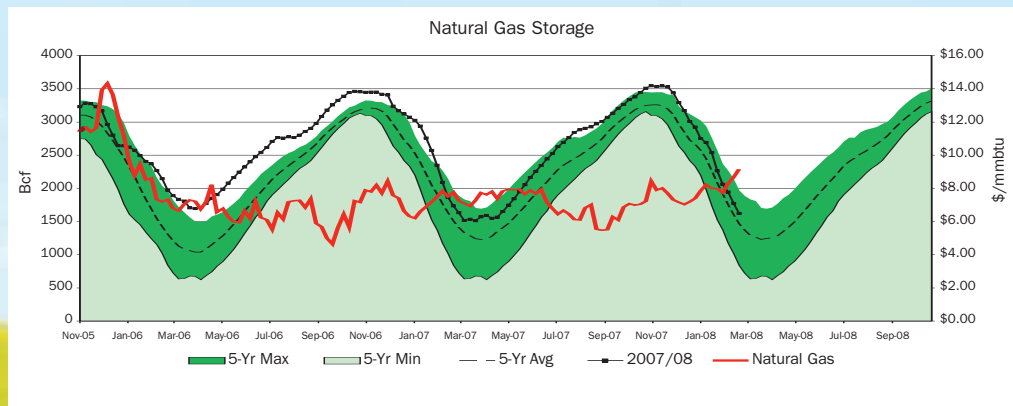
Creststreet has spent nearly a decade positioning itself to capitalize on energy investment opportunities of all kinds by leveraging our knowledge of natural gas, crude oil and renewable energy to provide high-quality investment products for our investors. We continue to focus on the long-term fundamentals of global energy markets, and we believe that all sources of energy will provide strong returns in the years to come.



> 2007 was a tumultuous year for the broader equity markets as the subprime credit crisis created shock waves through the financial markets and economic data pointed to the potential for a U.S. recession. Central banks around the world took measures to try and preserve economic health and calm financial markets. Despite the potential negative effects that a U.S. recession could have on the global economy, growth in energy demand from key developing countries such as Brazil, Russia, India and China continues to be robust, driving international energy prices.

Global growth in energy demand continues to accelerate, driven by rapidly expanding economies in the developing world. Many analysts now believe that this accelerated demand will continue to outpace the world's growth in available energy supply for the foreseeable future which will serve to drive energy prices even higher. Commodity strength throughout the year has reinforced our belief that any weakness in energy markets is short-term in nature and the long-term fundamental health of both global and North American energy markets remain intact.

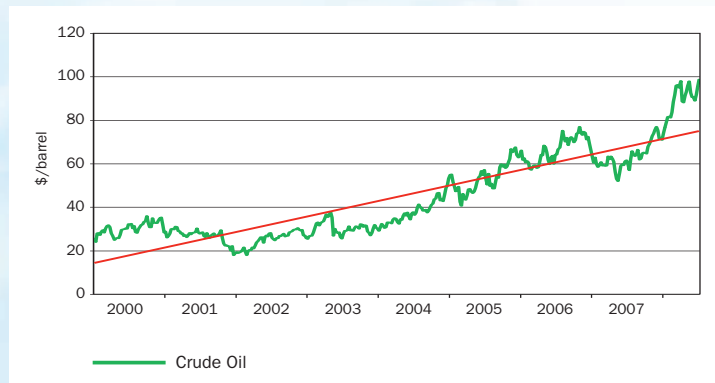
New York Mercantile Exchange (“NYMEX”) natural gas prices advanced 18.8% in 2007, to close the year at \$7.48/mmbtu, showing signs of improving strength and recovery during the year. This strong performance by the commodity is a recovery from the weakness experienced in 2006, the result of high inventory surplus and warm weather. Drilling economics in the United States remain attractive at current prices, while economics in Canada are now beginning to look much more favourable. As expected, a reduction in both drilling activity and imports of Liquefied Natural Gas (“LNG”), combined with strong weather-adjusted demand, have helped to drive prices higher and reduce storage levels towards more normalized levels for the first time in more than two years.



Source: Energy Information Administration



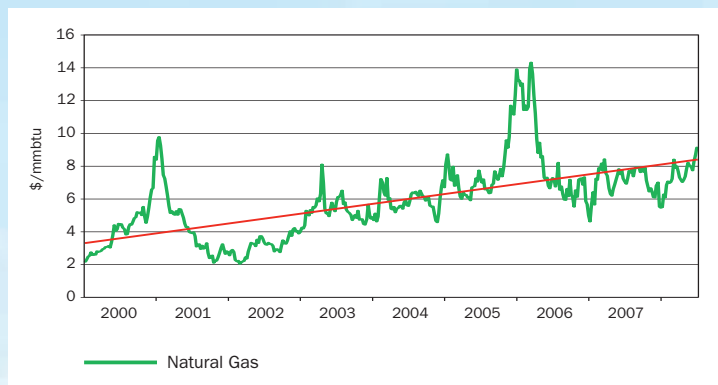
Crude oil prices were also very strong during 2007, as NYMEX light sweet crude oil advanced 57.2%, to close the year at \$95.98 before touching \$100 per barrel subsequent to year-end. Historically, the world has enjoyed a strong surplus in productive capacity for crude oil, a cushion which has declined significantly in the last five years. As a result of this limited spare capacity, and due to continued geopolitical instability, markets remain wary of supply disruption risk and have driven prices to all-time highs. With the rise in oil prices significant amounts of capital flowed into oil-weighted companies, in particular companies with exposure to the Canadian oilsands, driving stocks higher.



Source: Reuters

Over the past several years, the valuations of junior Canadian natural gas companies have languished due to a combination of low natural gas prices resulting from high storage levels, rising service costs, less favourable takeover economics from royalty trusts and the introduction of increased oil and gas royalties by the Alberta Government. Creststreet flow-through portfolios have historically been heavily weighted toward natural gas producers and, as a result, the performance of these funds has suffered for the past several years.

More recently, we are seeing signs of a recovery in Canadian natural gas equity markets due to recent commodity price strength and improving drilling economics. Industry consolidation that began to develop in the fall of 2007, continued through to the end of the year. This is an important step in the recovery process as companies recognize that, at current valuations, growth through acquisition is cheaper than drilling new wells.



Source: Reuters



Outlook

Although 2007 was a volatile year for financial markets, the energy sector continued to outperform most sectors of the economy. Clear trends have emerged that continue to point to a healthy future for the energy markets. In Canada, with declining service costs and more normalized natural gas storage levels, the prospects for investing in Canadian natural gas equities have improved dramatically. As the environment for natural gas producers in Western Canada continue to improve, we believe that equity valuations in the sector will also begin to strengthen; not just through growth in cash flow and net assets, but through an expansion in valuation multiples which are now at the low end of their historical range.

We continue to believe that energy investors will be well rewarded over the long-term and should maintain an overweight exposure to the energy sector.

Respectfully,

A handwritten signature in black ink, appearing to read 'R. Toole'.

Robert J. Toole
Managing Director
Creststreet Asset Management Limited
March 1, 2008

Creststreet Energy Hedge Funds

- > 2007 concluded the third successful year of operations for Creststreet Energy Hedge Funds with an **annual return of 41.17%**, making it one of the **Top Ten** performing **Global** Energy Hedge Funds of the year in **Barclay's Global Energy Hedge Fund Rankings**.

In May 2005, Creststreet launched the Creststreet Energy Hedge Fund L.P for accredited investors resident in Canada. In November 2005, the Creststreet Offshore Energy Hedge Fund Inc. was launched for non-Canadian and non-U.S. institutional investors. These Creststreet Energy Hedge Funds, collectively the “Funds”, have identical investment portfolios and are managed on a *pari-passu* basis.

These Funds employ a long/short strategy that seeks to generate returns by focusing on the specific movements in equity prices of companies operating in the Canadian and international energy sector. The Funds take advantage of Creststreet's extensive knowledge of the global energy markets by seeking out investment opportunities around the world in various energy sub-sectors.





In 2007, the Funds employed a strategy of seeking out opportunity-rich energy companies with international assets as a means of capturing alpha. The Funds had less exposure to the Canadian energy markets due to the weakness that has persisted in its domestic junior oil and natural gas equities. The Funds have also benefited from the success of oilsands-focused development companies, a trend which we expect to continue as large companies consolidate their positions in this world-class asset.

With market fundamentals now beginning to improve in domestic energy markets, the Funds are again beginning to take selective positions in Canadian junior companies to take advantage of the industry consolidation which has already begun, as well as the anticipated recovery in equity valuations as underlying Canadian energy industry commodity fundamentals continue to improve.

Creststreet Energy Hedge Funds continue to be exceptionally well positioned to generate strong returns in the years ahead by leveraging Creststreet's proven expertise and experience in managing long/short energy equity portfolios with exposure in both domestic and international energy markets.



Creststreet Mutual Funds Limited

- > Creststreet Mutual Funds Limited is an open-ended, multi-class mutual fund. The mutual fund has four classes – Creststreet Resource Fund, Creststreet Alternative Energy Fund, Creststreet Managed Income Fund and Creststreet Managed Equity Index Fund. The mutual fund presently has a total net asset of \$107 million.

Creststreet Resource Fund

- > Creststreet Resource Fund (the “Resource Fund”) is ideal for investors who are seeking long-term capital growth through exposure to the global energy sector, with emphasis on North American energy markets and natural gas in particular. The Resource Fund employs a long-term, value-oriented “bottom-up” approach to investing with analysis focusing on management quality, equity specific valuations and industry fundamentals.

After a challenging year in 2006, the Resource Fund posted improved returns in 2007 by increasing exposure to oil-weighted producers, select high-growth alternative energy positions and high-growth Canadian oilsands-related companies. Canadian natural gas equities were weak through 2006, and much of 2007, due to high capital costs, low commodity prices and changes to Alberta’s royalty regime. We are now seeing encouraging signals that North American natural gas markets are returning to their long-term upwards trend. Creststreet expects the reduced natural gas storage inventory levels experienced this winter to lead to higher natural gas prices and strengthened equity valuations in the Canadian junior energy sector over the next several years. **As these fundamentals continue to improve, Creststreet Resource Fund is well-positioned to benefit from improved underlying growth in energy producers and improved market valuations of Canadian energy-related equities.**





Creststreet Alternative Energy Fund

- > Creststreet Alternative Energy Fund (the “Alternative Energy Fund”) is ideal for investors who are seeking exposure to alternative sub-sectors of the energy market with potential for long-term capital appreciation.

The Alternative Energy Fund provides investors with exposure to a broad array of investments in sub-sectors of the energy market outside of conventional oil and natural gas. The investment objective is to provide stable long-term growth of capital while conservatively managing value at risk. The Alternative Energy Fund invests primarily in North American issuers whose businesses focus on generating energy outside of conventional carbon-emitting fuel sources. The Manager is uniquely able to leverage its investment management expertise along with its renewable energy development experience to focus on this high-growth sub-sector of the energy markets.

Creststreet Alternative Energy Fund employs a “Growth at a Reasonable Price” investment strategy and evaluates opportunities using a “top-down” approach whereby market fundamentals are thoroughly analyzed with the aim of exploiting attractive economics before broader markets take interest in a company and drive the stock higher.

Alternative sub-sectors of the energy markets are expected to continue to see rapid technological improvements as these sources of energy become increasingly viable options to supply the world’s energy demand. **By focusing on all types of alternative energy, the Alternative Energy Fund will continue to position itself to benefit from the strong returns that are characteristic of leaders in each field.**

Environmental issues continue to be at the top of the agenda for many countries around the world, and Creststreet believes that this trend will continue well into the future. Governments are now recognizing the increased urgency with which they must invest in clean energy, and companies around the world are becoming quick to respond to the incentives to develop and exploit new alternate and environmentally sound sources of energy. The trends being seen in the alternative energy space are only the beginning of what will become an evolution in how the world sources its energy. Creststreet will be well-positioned to benefit from these trends as they develop in the future.



Creststreet Managed Income Fund

- > Creststreet Managed Income Fund (the “Managed Income Fund”) is ideal for investors who are seeking stable income in the form of regular monthly distributions, with a focus on capital preservation and the potential for capital appreciation.

The Managed Income Fund employs a value-based approach to investing with emphasis on management quality, industry fundamentals and business exposure. Relative valuations and industry-specific measures are used to assess holdings which have the ability to sustain and/or grow distributions while showing accretion in the value of their units.

The income trust market in Canada experienced a volatile year in 2007 as did the broader equity markets. The S&P/TSX Capped Income Trust Index (the “Index”) declined 2.7% for the year **while Creststreet Managed Income Fund had a very positive year, advancing 13.4%** for the same period, assuming that all distributions were reinvested into shares of the Managed Income Fund.

The Managed Income Fund employed a strategy of identifying and holding take-out candidates in the business trust sector in order to capitalize on the strong and sustainable yield, as well as the consolidation that occurred during the year. The Managed Income Fund remained cautious with respect to natural gas weighted royalty trusts due to weakness in the Canadian gas market given high capital costs and low commodity prices. A number of royalty trusts elected to cut distributions over the course of the year due to stretched balance sheets as a result of previous weakness in natural gas prices. Distributions of other royalty trusts continue to appear at risk for the same reason.

Creststreet continues to monitor the income trust markets very closely and will continue to seek out strong yields, as well as capital appreciation across all sectors of the market.





Creststreet Managed Equity Index Fund

- > Creststreet Managed Equity Index Fund (the “Managed Equity Index Fund”) is ideal for investors who are seeking long-term growth of capital through investment in a portfolio of equity market index units.

The Managed Equity Index Fund combines active and passive fund management styles with the goal of providing investors with long-term growth of capital by investing in index participation units, in addition to common stocks and convertible debentures of Canadian and International companies. The Managed Equity Index Fund may invest up to 70% in Index participation units in the Canadian, U.S. or foreign equity markets. To enhance diversification, up to 30% of the Managed Equity Index Fund's net assets may be actively managed and fixed income securities may be used during periods of high market volatility to protect capital while awaiting more favourable market conditions.

Global equity markets experienced a very volatile year in 2007, during which the S&P/TSX Composite Index (the “Canadian Index”) advanced 7.2%, while Creststreet Managed Equity Index returned 4.6%. During the year, Creststreet Managed Equity Index Fund opted to maintain exposure to broad domestic and foreign equity markets. The Managed Equity Index Fund's major position was in the Canadian Index, which is weighted heavily to the energy and financial sectors. The Canadian markets experienced strong performance from large capitalization energy names, as well as metals and mining corporations, results which were tempered slightly by weaker performance from the financial sector. The Managed Equity Index Fund remained diversified with positions in index funds that contain a wide range of stocks from Europe, Australasia and the Far East. The Managed Equity Index Fund also maintained a small exposure (6.8%) to the S&P 500 Index. Investments in the latter two index funds are hedged to Canadian dollars in order to eliminate foreign currency risk. The Managed Equity Index Fund did not choose to hold equity investments, other than index participation units.



Creststreet

Energy Flow-through Funds

- > Creststreet has been a leader in structuring and managing flow-through limited partnerships for Canadian resident taxpaying investors. To date Creststreet has raised over \$375 million through eleven partnerships since 2000, which have generated an average after-tax return of 13.0% for investors.

In June 2007, the Creststreet 2007 Limited Partnership completed its public offering of units, raising \$58 million for investment in flow-through shares of Canadian energy companies. The proceeds from this offering were substantially invested by December 31, 2007, generating tax deductions applicable to the 2007 taxation year for limited partners. The Creststreet 2007 Limited Partnership was invested both with the goal of taking advantage of the very attractive returns being seen in oil-weighted producers, as well as with the aim of benefiting from the recovery in valuations that is anticipated in equities of junior natural gas issuers as fundamentals continue to improve. This Partnership is scheduled to roll into the Creststreet Resource Fund in January 2009.

In January 2008, the assets of the Creststreet 2006 Limited Partnership and the Creststreet 2006 (II) Limited Partnership were exchanged for shares of the Creststreet Resource Fund. At the time of rollover, investors in Creststreet 2006 Limited Partnership received 0.4900 shares of Creststreet Resource Fund in exchange for each unit held, and investors in Creststreet 2006 (II) Limited Partnership received 0.7225 shares of Creststreet Resource Fund in exchange for each unit held.

The Creststreet 2006 and 2006 (II) Limited Partnerships experienced difficult market conditions during their investment cycle as their portfolios were invested with a strong focus on natural gas weighted issuers. Investment occurred in 2006, when commodity prices and equity valuations were higher. The investment portfolios of these Partnerships were adversely affected by falling natural gas prices, rising exploration and operating costs, reduced valuations of energy royalty trusts as a result of tax changes announced by the Canadian Federal Government and more recently, by adverse affects of the new Alberta Royalty Regime for conventional oil and gas producers.





Weakness in the equities of Canadian natural gas producers persisted through much of 2007; however, the market is now showing encouraging signs of a recovery. Natural gas storage levels have now fallen into more normalized ranges and natural gas prices have strengthened significantly.

The Creststreet Resource Fund maintains a diversified portfolio of assets exposed to both international and domestic oil and gas opportunities, high-growth alternative energy sectors, as well as selective positions in high-quality Canadian natural gas producers and companies with exposure to Canada's world class oilsands resources.

We continue to recommend that investors retain their shares of the Creststreet Resource Fund to benefit from the continued recovery of natural gas prices and the energy sector generally, over the next several years.

In December 2007, Creststreet filed a prospectus for the Creststreet 2008 Limited Partnership which proposes to raise up to \$50 million for investment in flow-through shares of Canadian energy companies. This fund is targeting an equal balance between natural gas and oil weighted producers, and may also include some mining and renewable energy investments.



Board of Directors

Jeffrey S. Boyce

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman²

Corporate Director

John E. Thompson¹

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole

Managing Director
Creststreet Capital Corporation

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Aaron C.B. Maybin

Vice-President

Sheryl Chiddenton

Secretary and Treasurer

Fund Symbols

CAM 100, CAM 107, CAM 108,
CAM 200, CAM 300, CAM 400

Legal Counsel

McCarthy Tétrault LLP
Toronto, Ontario

Auditors

KPMG LLP
Toronto, Ontario

Legend

¹ Member of audit committee

² Chair of audit committee



CRESTSTREET



CRESTSTREET

Corporate Offices

Suite 1450, 70 University Avenue
Toronto, Ontario M5J 2M4
Tel: (416) 864-6330
Toll Free: 1-866-864-6330
Fax: (416) 862-8950
E-mail: info@creststreet.com

Investor Inquiries

info@creststreet.com

www.creststreet.com



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Management Report of Fund Performance

For the year ended December 31, 2007

THIS ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE ANNUAL REPORT OF CRESTSTREET MANAGED EQUITY INDEX FUND (THE "FUND").

SHAREHOLDERS MAY OBTAIN A COPY OF THE INTERIM OR ANNUAL FINANCIAL STATEMENTS AT NO COST BY CALLING 1 866 864-6330, BY WRITING TO CRESTSTREET MUTUAL FUNDS LIMITED, 70 UNIVERSITY AVE., SUITE 1450, TORONTO, ON, M5J 2M4, OR BY VISITING OUR WEBSITE AT WWW.CRESTSTREET.COM. SHAREHOLDERS MAY ALSO CONTACT CRESTSTREET USING ONE OF THESE METHODS TO REQUEST A COPY OF THE FUND'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

Results of Operations

> Investment Performance

Global equity markets experienced a very volatile year in 2007, during which the S&P/TSX Composite Index (the "Canadian Index") advanced 7.2%.

Volatility in the equity markets was largely the result of the sub-prime credit crisis that enveloped the United States and finally hit a breaking point during the month of August. Market liquidity evaporated across many sectors as investors sought refuge in safer investments such as government securities and commodities. The United States Federal Reserve, along with other central banks around the world, intervened on a number of occasions throughout the year in order to inject liquidity and stabilize financial markets while protecting economic growth. A number of large financial institutions took large write-downs and several hedge funds collapsed as a result of mounting losses on investments based on sub-prime credit instruments.

The Fund maintained exposure to broad domestic and foreign equity markets. The Fund's major position in the Canadian Index, which is weighted heavily to the energy and financial sectors saw strong performance from large capitalization energy names as well as metals and mining corporations, results which were tempered slightly by weaker performance from the financial sector. The Fund remained diversified with positions in index funds that contain a wide range of stocks from Europe, Australasia and the Far East. The Fund also maintained a small degree of exposure (6.8%) to the American markets via the S&P 500 Index. Investments in the latter two index funds are hedged to Canadian dollars in order to eliminate foreign currency risk. The Fund did not choose to hold equity investments other than index participation units.

Despite the weakness that currently exists in global equity markets, we remain confident in a strong recovery by the global economy once issues related to the sub-prime credit markets have been worked through. Global growth, particularly in the developing world, appears to be robust and current market weakness presents a great investment opportunity as the global economy transitions through the issues it currently faces.

> Revenues and Expenses

The Fund earned dividend income of \$126,706 for the year ended December 31, 2007, compared to \$89,866 during the same period last year. The increase in dividend income was the result of a marginal increase in the Fund's holdings of index units in 2007 compared to 2006 as well as a slight increase in distributions paid by the index participation units held by the Fund.

The Fund's largest expenses, management fees and service fees, are calculated on the net asset value (NAV) of the Fund. The Fund incurred these fees on an average NAV of approximately \$3.3 million in 2007 compared to approximately \$2.3 million in 2006. This represents an increase of about 46%, and accordingly, management fees and service fees were up 46% and 47% respectively. The other expenses incurred by the Fund were in the normal course of the Fund's operations and totaled \$44,883 for 2007 compared to \$28,620 in 2006. The increase in the Fund's expenses is due mainly to the increase in the Fund's average net asset value and increased number of shareholders.

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 three years and the period from December 30 to December 31, 2004. This information is derived from the Fund's annual financial statements.

The Fund's Net Asset Value (NAV) per Share:

	2007	2006	2005	2004
Net asset value, beginning of period	\$ 10.27	\$ 11.67	\$ 9.98	\$ 10.00
Initial adoption of new accounting policy ⁽¹⁾	(0.01)			
Increase (decrease) from operations:				
Total revenue	0.39	0.39	0.80	0.01
Total expenses	(0.24)	(0.22)	(0.20)	-
Realized gain on investments	0.11	-	-	-
Unrealized gain on investments	0.20	1.26	1.12	(0.03)
Transaction costs	(0.01)	-		
Total increase (decrease) from operations⁽²⁾	0.44	1.43	1.72	(0.02)
Distributions:				
From capital gains	(0.56)	(2.85)	-	-
Total annual distributions⁽³⁾	(0.56)	(2.85)	-	-
Net asset value, end of period (GAAP NAV)⁽⁴⁾	\$ 10.14	\$ 10.27	\$ 11.67	\$ 9.98

(1) This line shows the impact of the adoption of a new accounting policy adopted on January 1, 2007. The implementation of this new policy impacts the way the Fund values the securities it holds and is discussed in greater detail under in the "Recent Developments" section of this report. The closing Pricing NAV is disclosed in the "Ratios and Supplemental Data" table that follows.

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

(3) Distributions were paid in cash or reinvested in additional units.

(4) These calculations are prescribed by securities regulators and are not intended to be a reconciliation between the opening and closing net asset value per share.

Ratios and Supplemental Data

	2007	2006	2005	2004
Net assets (000's) ⁽¹⁾	\$ 3,185	\$ 3,431	\$ 1,495	\$ 151
Number of shares outstanding ⁽¹⁾	314,031	334,138	128,094	15,097
Management expense ratio (MER) ⁽²⁾	2.38%	2.19%	1.87%	0.00%
Portfolio turnover rate ⁽³⁾	1.95%	1.72%	0.00%	0.00%
Trading expense ratio ⁽⁴⁾	0.08%	0.13%	0.26%	0.13%
Closing Pricing NAV per share	\$ 10.16	\$ 10.27	\$ 11.67	\$ 9.98

(1) This information is provided as at December 31 of the years shown.

(2) The 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 period.

(3) 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 a year. The higher a fund's portfolio turnover rate, 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.

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

Summary of Investment Portfolio

As at December 31, 2007

Description	% of net assets
Index Participation Units	98.68%
Cash and cash equivalents	1.76%
Other net assets	-0.44%
	100.00%

Top Positions

Description	% of net assets
iShares CDN S&P/TSX 60 Index Fund	55.99%
iShares CDN EAFE 100% Hedged to Canadian Dollars Index Fund	35.85%
iShares CDN S&P 500 Hedged to Canadian Dollar Index Fund	6.84%
	98.68%

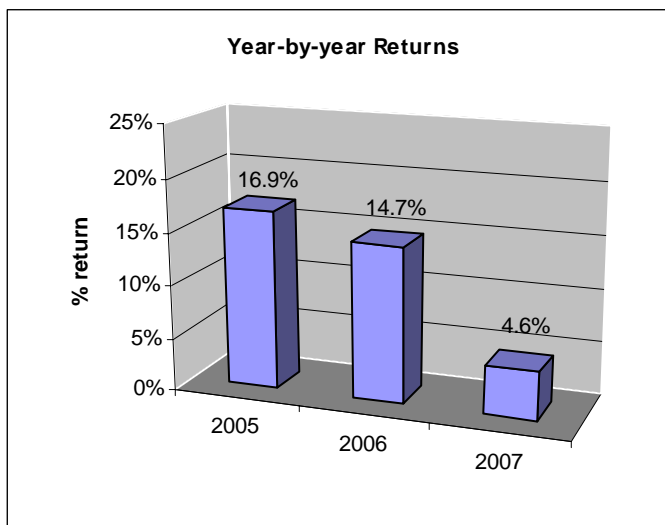
The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1 866 864-6330, by writing to us at Creststreet Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto ON, M5J 2M4, or by visiting our website at www.creststreet.com.

Past Performance

The performance information shown assumes that any distributions made by the Fund in the period shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The Fund's past performance is not necessarily indicative of its future performance.

> Year-by-Year Returns

The following bar chart shows the Fund's annual return for the past three years. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of the financial year



> Annual Compound Returns

The following table shows the Fund's historical annual compound total returns for the periods indicated, compared with the S&P/TSX Composite Index and the S&P Global 1200 Index.

	Creststreet Managed Equity Index Fund	S&P/TSX Composite Index	S&P Global 1200 Index
1 year	4.6%	7.2%	7.7%
3 years	11.9%	14.4%	11.3%
Since inception	11.9%	14.4%	11.3%

> About the Indices and Fund Performance

The S&P Global 1200 Index is comprised of several international equity indices and is designed to track the performance of international equity markets. The S&P/TSX Composite Index covers approximately 95% of the Canadian-based Toronto Stock Exchange-listed companies and is designed to track the performance of the Canadian equities market as a whole.

The Fund returned 4.6% during 2007 largely as a result of holdings in Canadian index participation units, which advanced 8.8% for the year. The Fund was somewhat negatively impacted by flat performance from a smaller position in index units weighted to equity markets in Europe, Australasia and the Far East. The Fund's smallest position in S&P 500 index units was up 1.6% for the year.

Investment Objectives and Strategies

The investment objective of the Fund is to provide long-term growth of capital through investments in index participation units of Canadian, U.S. and other foreign stock exchanges.

The investment style of the Fund is a combination of passive and active styles. The passive component will represent approximately 70% of the Fund's net assets. The Fund will invest in a portfolio of index participation units of Canadian, U.S. or other foreign equity markets or other similar instruments or directly in equity securities that constitute the Index or in a combination of those investments. The active component, representing up to 30% of net assets will follow a value-based approach to investing with an emphasis on long-term value as opposed to short-term market or momentum factors. This involves direct assessments and detailed analysis on a company basis of management, its industry, business and asset strengths, weaknesses and exposures. Greater emphasis will be placed on valuation criteria applicable to both corporations and trusts such as EBITDA (earnings before interest, taxes, depreciation, and amortization) multiples, cash flow multiples, net asset values and other industry specific measures. In addition, security specific factors such as cash-on-cash yields and stability ratings will be included. Assessments of the company's or trust's industry position, balance sheet strength, future growth potential, its ability to execute successful acquisitions, and its access to capital are also key components. The Fund's approach is a buy and hold strategy.

Recent Developments

Change in accounting policies

The Canadian Institute of Chartered Accountants ("CICA") has introduced new accounting guidelines which impact the way financial information is reported. The following explains the relevant new CICA Handbook section and how it impacts the financial reporting of the Fund.

Section 3855 "Financial Instruments – Recognition and Measurement"

This section covers the accounting treatment of financial assets and liabilities. Prior to this new policy, Canadian Generally Accepted Accounting Principles ("GAAP") required publicly traded securities to be valued at the price at which it last traded. This applied to securities held long and

sold short. Section 3855 requires publicly traded securities to be valued at the last available bid price for securities held long and at the last available ask price for securities sold short.

Broker commissions paid on the purchase of securities were previously included in the cost of the investment while commissions paid on the sale of securities reduced the amount of proceeds reported which in turn impacted the related gain or loss on the transaction. Disclosure of total brokerage commissions paid during a period was disclosed in the notes to the financial statements. Section 3855 requires that all commissions paid to brokers be expensed on the Statement of Operations in the period they are incurred and that the commissions are appropriately allocated to realized and unrealized gains and losses.

These new accounting guidelines impact financial reporting but do not impact the NAV calculated for purchases and redemptions. The use of last traded market prices for the calculation of the NAV for pricing purposes (the "Pricing NAV") versus the use of last bid or ask prices for the calculation of the NAV for financial reporting purposes (the "GAAP NAV") will generally result in a difference between Pricing NAV and GAAP NAV. This difference is presented on the Statements of Net Assets. The adoption of these new accounting policies has been applied prospectively - prior periods are not restated, however, an adjustment has been made to the opening balances for 2007.

Related Party Transactions

Management fees are paid to the Manager for the management of the Fund's day-to-day administration. The Fund also pays a service fee to the Manager, which the Manager then remits to dealers as consideration for administering the Fund's assets for the dealers' clients.

Management Fees

The Manager provides investment and administrative services to the Fund. In consideration of these services, the Fund pays the Manager a fee equal to 0.5% per annum of the net value of the Fund, calculated and paid monthly in arrears. GST is paid on all management fees.

The Fund also pays a service fee to dealers as consideration for administering its assets held by those dealers. The service fee is calculated as a percentage of the assets each dealer has in place in the Fund, and is based on the closing balance of client accounts at the end of each calendar month. The Fund pays service fees on a quarterly basis at a rate of 0.5% of the Fund's net asset value. For the years ended December 31, the Fund paid the following amounts to the Manager:

	2007		2006	
Management fees	\$ 17,694	51.11%	\$ 12,161	51.41%
Service fees paid to dealers	16,922	48.89%	11,492	48.59%
	<u>\$ 34,615</u>	<u>100.00%</u>	<u>\$ 23,653</u>	<u>100.00%</u>

Risk

No major or significant changes have had an impact on the overall risk level of any investments in the Fund. The investment philosophy, style and method for the Fund remain unchanged. Investors in the Fund are exposed to the stock market risk to the same degree as each of the indexes. Investors are encouraged to read the Fund's prospectus for a more complete discussion of risks in investing in the Fund.

Management's Responsibility for Financial Reporting

These financial statements form the basis for all of the financial information that appears in this annual report. The financial statements and all of the information in this annual report are the responsibility of the management of Creststreet Mutual Funds Limited and have been reviewed and approved by its board of directors. The board of directors is responsible for ensuring that management fulfills its financial reporting responsibilities.

Management has prepared the financial statements according to Canadian generally accepted accounting principles ("GAAP"). Under these principles, management has made certain estimates and assumptions that are reflected in the financial statements and notes. Management believes that these financial statements fairly present the entity's financial position, results of operations and changes in net assets. Management has a system of internal controls designed to provide reasonable assurance that the financial statements are accurate and complete in all material respects. Management believes that the internal controls provide reasonable assurance that our financial records are reliable and form a proper basis for preparing the financial statements, and that our assets are properly accounted for and safeguarded.

KPMG LLP, the shareholders' external auditors, has audited the financial statements in accordance with Canadian generally accepted auditing standards and their report follows. KPMG LLP has free and full access to the board's audit committee.



Robert J. Toole
President
Chief Executive Officer
Creststreet Mutual Funds Limited



Donna Shea
Vice-President, Finance
Chief Financial Officer
Creststreet Mutual Funds Limited

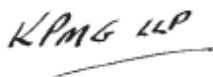
February 28, 2008

Auditor's Report to the Shareholders

We have audited the statements of net assets of Creststreet Managed Equity Index Fund (a class of shares of Creststreet Mutual Funds Limited) as at December 31, 2007 and 2006, the statement of investment portfolio as at December 31, 2007, and the statements of operations and changes in net assets for the years ended December 31, 2007 and 2006. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 2007 and 2006, the investments held as at December 31, 2007, and the results of its operations and changes in net assets for the years ended December 31, 2007 and 2006 in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "KPMG LLP" with a horizontal line underneath.

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
February 28, 2008

Statements of Net Assets

As at December 31	2007		2006	
Assets:				
Investments at market value	\$	3,143,305	\$	3,345,831
Cash and cash equivalents		55,916		94,975
Interest receivable		-		200
		3,199,221		3,441,006
Liabilities:				
Accounts payable and accrued liabilities		13,897		9,717
		13,897		9,717
Net assets - GAAP NAV (note 2)	\$	3,185,324	\$	3,431,289
Adjustment from bid market prices to last traded market prices		5,588		-
Net assets - Pricing NAV (note 2)	\$	3,190,912	\$	3,431,289
Shares outstanding		314,031		334,138
Net asset value per share - GAAP NAV (note 2)	\$	10.14	\$	10.27
Adjustment from bid market prices to last traded market prices		0.02		-
Net asset value per share - Pricing NAV (note 2)	\$	10.16	\$	10.27

See accompanying notes to financial statements.

Approved by Creststreet Mutual Funds Limited



Robert J. Toole
Director



Stuart P. Hensman
Director

Statements of Operations

For the years ended December 31	2007	2006
Investment income:		
Dividend income	\$ 126,706	\$ 89,866
Interest income	1,284	5,460
	127,990	95,326
Expenses:		
Management fees (note 3)	17,694	12,161
Operating expenses	17,333	8,730
Service fees	16,922	11,492
Legal and filing fees	12,605	7,500
Audit fees	5,955	3,562
Shareholder reporting	5,662	3,831
Custodian fees	2,692	2,027
Directors' fees	636	589
Capital tax	-	2,381
	79,499	52,273
Income from investment operations	48,491	43,053
Net realized gain (loss) on sale of investments	36,309	(280)
Change in unrealized appreciation/depreciation of investments	62,076	301,681
Transaction costs (note 2)	(2,784)	-
Net realized and unrealized gain on investments	95,601	301,401
Increase in net assets from operations	\$ 144,092	\$ 344,454
Per share		
(based on the average number of shares outstanding)		
Decrease in net assets from operations per share	\$ 0.44	\$ 1.43

See accompanying notes to financial statements.

Statements of Changes in Net Assets

For the years ended December 31	2007	2006
Net assets, beginning of year	\$ 3,431,289	\$ 1,495,312
Initial adoption of new accounting policy (note 2)	(4,444)	
Operations		
Increase in net assets from operations	144,092	344,454
Dividends to shareholders:		
Capital gain dividend (note 5)	(176,464)	(393,002)
Share capital transactions:		
Proceeds from issue of shares	228,094	1,655,079
Reinvested dividends	172,007	390,129
Redemptions	(609,250)	(60,683)
	(209,149)	1,984,525
(Decrease) increase in net assets	(245,965)	1,935,977
Net assets, end of year - GAAP NAV (note 2)	\$ 3,185,324	\$ 3,431,289
Adjustment from bid market prices to last traded market prices	5,588	-
Net assets, end of year - Pricing NAV (note 2)	\$ 3,190,912	\$ 3,431,289

See accompanying notes to financial statements.

Statement of Investment Portfolio

As at December 31, 2007

Description	Number of securities	Type of security	Cost	Market Value
iShares CDN S&P/TSX 60 Index Fund	22,000	Units	\$ 1,358,443	\$ 1,783,320
iShares CDN EAFE 100% Hedged to Canadian Dollars Index Fund	42,065	Units	1,101,634	1,142,065
iShares CDN S&P 500 Hedged to Canadian Dollar Index Fund	12,000	Units	225,635	217,920
Investments at market value			\$ 2,685,712	\$ 3,143,305

See accompanying notes to financial statements.

Notes to Financial Statements

For the years ended December 31, 2007 and 2006

1. Creststreet Mutual Funds Limited

Creststreet Managed Equity Index Fund (“the Fund”), along with Creststreet Resource Fund, Creststreet Managed Income Fund, and Creststreet Alternative Energy Fund (together the “Funds”) are share classes of Creststreet Mutual Funds Limited (the “Corporation”). The Corporation was formed under the *Canada Business Corporations Act* (the “CBCA”) by articles of incorporation (the “Articles”) dated October 13, 1999, as amended by articles of amendment dated July 18, 2000, May 16, 2001, December 11, 2001, January 11, 2002, December 5, 2002, May 15, 2003, April 26, 2004, September 2, 2004, December 22, 2004, March 29, 2005, and October 24, 2007. In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at December 31, 2007 and 2006, its investments held as at December 31, 2007, and the results of operations and the changes in net assets for the years then ended and do not contain the financial statements of the Corporation. Because the Funds listed are part of the Corporation, the Corporation as a whole is liable for the expenses and obligations of each of the Funds. There exists the possibility that the Fund could be liable for an expense or obligation of another of the Funds; however, the Manager is diligent to ensure that such a liability will not occur.

Creststreet Asset Management Limited (the “Manager”) is the manager of the Fund.

2. Summary of Significant Accounting Policies

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

a. Cash and Cash Equivalents, and Other Monetary Balances

The carrying values of cash and cash equivalents, interest receivable, and accounts payable and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments

The Canadian Institute of Chartered Accountants has introduced new accounting guidelines that govern the reporting of financial assets and liabilities (CICA Handbook Section 3855 – “Financial Instruments – Recognition and Measurement”). The new guidelines are applicable to annual and semi-annual financial statements relating to fiscal years beginning on or after October 1, 2006. Prior to this change in policy, Canadian Generally Accepted Accounting Principles (“GAAP”) required publicly traded securities to be valued at the price at which it last traded. This applied to securities held long and sold short. Section 3855 requires publicly traded securities to be valued at the last available bid price for securities held long and at the last available ask price for securities sold short.

This accounting policy change impacts financial reporting (“GAAP NAV”) but does not impact the NAV calculated for purchases and redemptions (“Pricing NAV”). The net difference between valuations using last bid/ask prices and closing price is presented as “Adjustment from bid market prices to last traded market prices” on the Statements of Net Assets and is used to reconcile the GAAP NAV per share to the Pricing NAV per share.

This change in accounting policy has been applied prospectively. Prior period balances have not been restated, however, an adjustment has been made to the opening net asset value for the difference at January 1, 2007 on the Statements of Changes in Net Assets.

The complete, amended policy is as follows:

Securities held by the Fund that are listed on a recognized public securities exchange are valued at their closing bid price or the closing ask price for securities sold short. Securities for which no published market price exists are valued at cost until a third party transaction establishes a different value or unless a different fair market value is determined by the Manager. Any change in value is recorded in “Net change in unrealized appreciation/depreciation of investments” on the statements of operations. Brokers’ commissions and other transaction costs are expensed in the period incurred.

c. Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date and any realized gains or losses from such transactions are calculated on an average cost basis. Dividend income is recognized on the record date and interest income is accrued as earned.

d. Income Taxes

The Fund qualifies as a mutual fund corporation as defined in the Income Tax Act (Canada). The Fund is subject to tax at the full corporate rate on its taxable income. Dividends received from taxable Canadian corporations are generally not included in the taxable income of the Fund but are subject to a special tax, refundable at a rate of 33 1/3% of taxable dividends distributed by the Fund to its shareholders. The Fund is eligible for a refund calculated on a formula basis when mutual fund shares are redeemed or when capital gains dividends are paid to shareholders. The Fund intends to pay out sufficient net income and net capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made.

e. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

3. Management Fee and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a fee equal to 0.5% per annum of the net asset value of the Fund. For the year ended December 31, 2007, the management fee amounted to \$17,694 (2006 - \$12,161). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

The management expense ratio ("MER") is calculated based on the total management expenses of the Fund, as a percentage of the weighted average net assets of the Fund for the year. This MER is inclusive of the Goods and Services Tax ("GST") in accordance with National Instrument 81-106. The Fund's MER was 2.38% for the year ended December 31, 2007 (2006 – 2.19%).

4. Brokerage Commissions

The Fund paid brokerage commissions amounting to \$2,874 for the year ended December 31, 2007 (2006 - \$3,130).

5. Dividends paid to Shareholders

On March 9, 2007, the Fund paid a capital gain dividend totaling \$176,464 (2006 - \$393,002) or \$0.5572 per share (2006 - \$2.8519 per share) to Fund shareholders of record as at March 2, 2007. For the year ended December 31, 2007, \$172,007 was reinvested into the Fund (2006- \$390,129).

6. Subscription & Redemption of Securities

Securities of the Fund may be subscribed or redeemed at the Net Asset Value per Share next determined after receipt of a subscription or redemption request at the registered office of the Fund or its Transfer Agent. Requests received before 4:00 p.m. EST on a valuation day will receive the Net Asset Value per Share on that valuation day. Subscription or redemption requests received after 4:00 p.m. EST will receive the Net Asset Value per Share on the next valuation day. Subscription or redemption requests may be provided electronically or in written form, provided that all documentation is in good order and has been signature guaranteed as necessary. Appropriate signature guarantors include Canadian Chartered Banks and Trust Companies, a Dealer, a member of a recognized Stock Exchange in Canada or any Guarantor acceptable to the Fund.

Creststreet Mutual Funds Limited

Board of Directors

Jeffrey S. Boyce*

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**

Corporate Director

John Thompson*

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole, C.A.

Managing Director
Creststreet Capital Corporation

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Aaron C.B. Maybin

Vice-President

Sheryl Chiddenton

Secretary and Treasurer

* Member of the audit committee

** Chair of the audit committee

Transfer Agent and Registrar

International Financial Data Services
(Canada) Limited
Toronto, Ontario

Investment Advisor

Creststreet Asset Management Limited
Toronto, Ontario

Custodian

National Bank Correspondent Network
Toronto, Ontario

Clearing and Settlement Services

FundSERV Inc.

Fund Symbols

CAM 100, CAM 106, CAM 200,
CAM 300

Auditors

KPMG LLP
Toronto, Ontario

Registered Address

Creststreet Mutual Funds Limited
70 University Avenue, Suite 1450
Toronto, Ontario
M5J 2M4

Tel: (416) 864-6330

Toll-free: 1 866 864-6330

Fax: (416) 862-8950

E-mail: info@creststreet.com

www.creststreet.com