



# Creststreet Alternative Energy Fund

## 2010 > Annual Report

### Management Report of Fund Performance

For the year ended December 31, 2010

THIS ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE ANNUAL REPORT OF CRESTSTREET ALTERNATIVE ENERGY 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](http://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

The Creststreet Alternative Energy Fund seeks to capitalize on the growth in rapidly expanding sectors of the energy market that have emerged to reduce society's dependence on traditional carbon dioxide-emitting sources of energy. In doing this, the Fund employs a strategy of identifying companies in high-growth sectors that are best positioned within the value chain to capture the economic rent generated by that growth.

In 2010 the Fund was down 7.5% compared to the WilderHill Clean Energy Index, which was down 5.3%, and the S&P 500 Index, which was up 12.8%. Since inception the Fund has generated a compound annual return of 52.8% outperforming both of its benchmarks as the WilderHill Clean Energy Index and the S&P 500 Index were down 21.9% and 3.8%, respectively, on a compounded annual basis since the Fund's inception.

After a strong rally during the first quarter of 2010, global equity markets sold off aggressively during the second quarter as investors became increasingly concerned about the global economy and the risks of a double-dip recession. These risks were magnified by concerns over rising property prices in China and sovereign debt issues in Europe. Investor sentiment started to shift in the third quarter as the market began to expect a second round of quantitative easing by the U.S. Federal Reserve, which was subsequently announced in the fourth quarter. This shift in sentiment along with an improving global economy led to an impressive rally for global equity markets into the end of the year.

In late 2009 and early 2010 the Fund began building its cash position by selectively trimming certain long positions which had been successful investments for the fund but were reaching the high end of our targeted valuation ranges. This resulted in a cash position of 30% of fund assets. During the first half of 2010 we began to see a reduced appetite for risk assets as concerns over the European sovereign debt crisis, the Chinese property market and the general sustainability of the global economic recovery increased investor uncertainty. This negative sentiment particularly impacted the less liquid and smaller capitalization stocks that are characteristic in the alternative energy sector. Because of the cautious stance adopted in late 2009 and the Fund's cash reserves, the Fund was significantly but not completely shielded from the sharp sell off experienced in the renewable energy sector in the first half of 2010. In the fourth quarter of 2010, we began to see early signs of money flowing back into the alternative energy sector and cautiously started increasing our net exposure by adding positions and reducing market hedges. As such, the Fund had positive performance during the second half of the year but underperformed the broader market given our cautious stance. With an improving North American economy, continued robust growth in emerging markets and higher energy prices, we expect that additional capital will flow into the sector in 2011 and we have positioned the Fund to take advantage of these flows.

The long-term outlook for the alternative energy sector remains very positive and we believe the sector will outperform broad North American equity markets over the next decade. We believe that all equity investors should have exposure to the alternative energy sector as part of the energy component of their investment portfolio. We recognize that the key risk

to the Fund's strategy is that it could potentially under-perform the broader equity markets for short periods of time, as it did in 2010. However, we believe continuing the Fund's conservative investment philosophy of having exposure to the highest quality alternative energy names while hedging broader market equity risk will result in superior risk-adjusted returns for our investors the long run.

### Revenues and Expenses

For the year ended December 31, 2010, the Fund earned \$65,259 in dividend income compared to the \$150,094 earned in 2009. This is due to investing more in dividend paying securities and the larger portfolio of Fund during 2009. The Fund earned \$6,207 in interest for the year ended December 31, 2010 as opposed to the \$86,850 earned in 2009. The Fund reduced its net exposure to the weakened market during 2009 and held a larger cash balance invested in a money market fund and hence earned interest. In 2010 the Fund had been almost fully invested in the portfolio mostly and only the required minimum cash was held for operational purposes.

The Fund incurred expenses totalling \$878,388 in 2010 compared to \$1,774,700 in 2009. Significant decreases in management fees and service fees were directly due to the decrease in net assets. In 2009, the Fund was restructured to offer two more series of shares to provide more flexibility to investors which resulted in higher legal fees in 2009 of \$170,460, compared to \$62,167 in 2010 and higher marketing costs of \$113,939 in 2009 compared to \$14,803 in 2010. Other expenses of \$334,237 were incurred in the normal operation of the Fund for the year ended December 31, 2010 compared to \$497,729 in 2009. These expenses were also impacted by the decreased size of the Fund.

### Investment Objectives and Strategies

The Fund's investment objective is to provide stable long-term growth of capital while conservatively managing value at risk. The Fund invests primarily in securities of North American issuers whose businesses seek out opportunities to generate energy beyond what traditional dependence on carbon-emitting sources supply. The Fund will establish core-holdings by employing a Growth at a Reasonable Price ("GARP") approach with an emphasis on long-term commercial viability, growth, and value creation. This will be achieved by following a top-down approach whereby macro-economic fundamental factors will be thoroughly analyzed to assess relative economics and determine emerging trends in alternative energy sub-sectors. The entire value chain and competitive landscape will be reviewed to identify companies best positioned to profit from those trends. Company-specific investment decisions will be made on the basis of management, valuation, and financial strength including access to capital. Valuation criteria will emphasize earnings before interest, depreciation, taxes, and amortization ("EBITDA") and sales multiples, as well as discounted cash flow analyses. Portfolio holdings will be typically concentrated within a limited number of companies, usually 15 to 30, to maintain awareness of corporate developments and communication with each company's management.

### Risk

The investment philosophy, style and method for the Fund remain unchanged in the long-term. The Fund's objective is to provide stable, long-term growth of capital while conservatively managing value at risk. The Fund invests primarily in the securities of North American companies seeking to capitalize on opportunities in the production of energy using alternative methods beyond traditional, carbon-based sources. The Fund is therefore subject to the risks associated with investing in an emerging market sector for which no benchmark index yet exists. A more detailed discussion of the Fund's risk exposures can be found in the Fund's prospectus and in the notes of the 2010 annual financial statements.

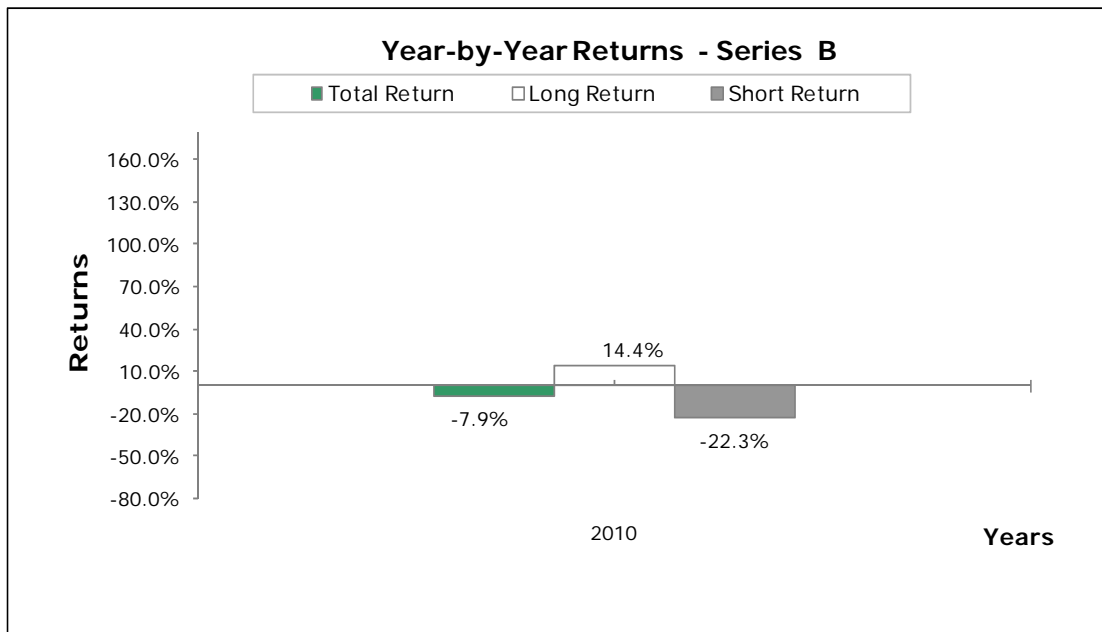
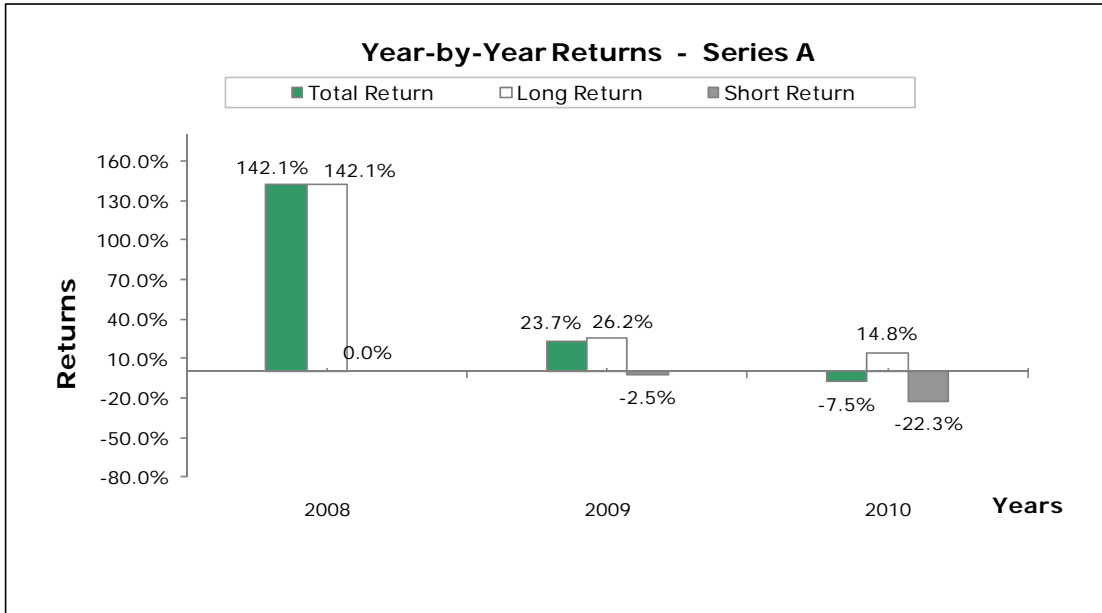
### Past Performance

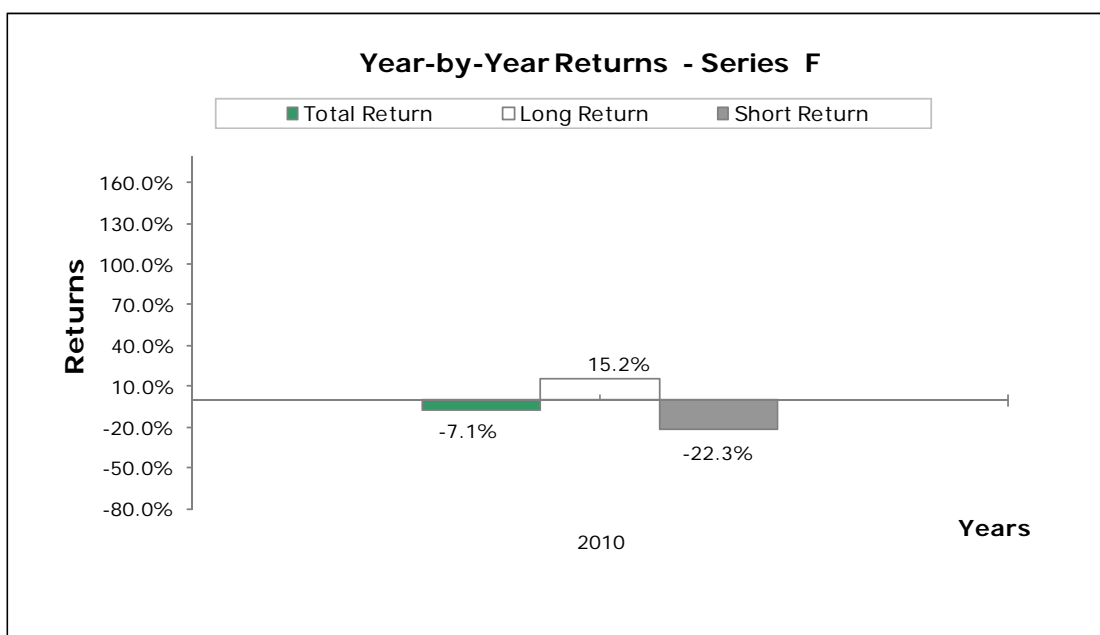
The past performance of the Fund is presented below showing the Year-by-Year returns charts. It should be noted that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. The performance information shown also assumes that distributions made by the Fund were reinvested in additional securities of the Fund. Performance of the Fund set out below was calculated net of all fees and expenses. Lastly, the Fund's past performance is not necessarily indicative of its future performance.

There are three Series of this Fund as of December 31, 2010. Series A became a reporting issuer on November 21, 2007 while inception date for Series B and Series F are January 30, 2009.

### Year-by-Year Returns

The following bar charts show the annual return from 2008 to the year ended December 31, 2010 of the applicable Series of the Fund. 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.





**Note:**

The performance shown for short positions is based on the pure performance of the short positions, while the performance shown for long positions and the overall total performance of Series A is comprehensive of all fees and expenses.

**Annual Compound Returns**

	Creststreet Alternative Energy Fund - Series A	S&P 500 Index	Wilderhill Clean Energy Index
1 Year	-7.5%	12.8%	-5.3%
3 Year	40.5%	-5.0%	-28.4%
Since Inception *	52.8%	-3.8%	-21.9%

	Creststreet Alternative Energy Fund - Series B	S&P 500 Index	Wilderhill Clean Energy Index
1 Year	-7.9%	12.8%	-5.3%
Since Inception *	6.6%	24.6%	16.0%

	Creststreet Alternative Energy Fund - Series F	S&P 500 Index	Wilderhill Clean Energy Index
1 Year	-7.1%	12.8%	-5.3%
Since Inception *	7.4%	24.6%	16.0%

\* Series A became a reporting issuer on November 21, 2007 while inception date for Series B and Series F are January 30, 2009.

## About the Indices and Fund Performance

The S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Industries comprising the largest components of the index include financials, industrials, health care, energy, consumer staples, and information technology. The index focuses on the large cap segment of the market and has approximately 75% coverage of U.S. equities. The S&P 500 Index increased by 12.8% during the year as investor sentiment shifted in favor of equities and the global economy showed further signs of recovery. The Fund declined 5.3% over the year.

## 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 years ended December 31, 2010, 2009, 2008, and for the period from the date of inception on October 24 to December 31, 2007. This information is derived from the Fund's annual financial statements.

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

<b>SERIES A</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Net assets, beginning of period<sup>(1)</sup></b>	<b>\$ 41.68</b>	<b>\$ 33.99</b>	<b>\$ 15.56</b>	<b>\$ 10.00</b>
<b>Increase (decrease) from operations:</b>				
Total revenue	0.16	0.22	0.74	0.06
Total expenses	(1.96)	(1.71)	(5.79)	(0.93)
Realized gains (losses) on investments	(0.68)	8.30	24.06	4.70
Unrealized gains (losses) on investments	(2.26)	1.44	0.11	2.12
Transaction costs	(0.93)	(1.01)	(2.37)	(0.62)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (5.67)</b>	<b>\$ 7.24</b>	<b>\$ 16.75</b>	<b>\$ 5.33</b>
<b>Distributions:</b>				
From capital gains	-	-	2.17	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>2.17</b>	<b>-</b>
<b>Net assets, end of period<sup>(4)</sup></b>	<b>\$ 38.65</b>	<b>\$ 41.68</b>	<b>\$ 33.99</b>	<b>\$ 15.56</b>
<b>SERIES B</b>				
	<b>2010</b>	<b>2009</b>		
<b>Net assets, beginning of period<sup>(1)</sup></b>	<b>\$ 41.38</b>	<b>\$ 34.04</b>		
<b>Increase (decrease) from operations:</b>				
Total revenue	0.16	0.22		
Total expenses	(2.12)	(1.81)		
Realized gains (losses) on investments	(0.66)	8.40		
Unrealized gains (losses) on investments	(1.14)	0.75		
Transaction costs	(0.91)	(1.02)		
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (4.67)</b>	<b>\$ 6.54</b>		
<b>Distributions:</b>				
From capital gains	-	-		
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>		
<b>Net assets, end of period<sup>(4)</sup></b>	<b>\$ 38.21</b>	<b>\$ 41.38</b>		

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

<b>SERIES F</b>	<b>2010</b>	<b>2009</b>
<b>Net assets, beginning of period<sup>(1)</sup></b>	<b>\$ 41.61</b>	<b>\$ 34.04</b>
<b>Increase (decrease) from operations:</b>		
Total revenue	0.17	0.23
Total expenses	(1.88)	(1.48)
Realized gains (losses) on investments	(0.72)	8.48
Unrealized gains (losses) on investments	(3.41)	0.66
Transaction costs	(1.00)	(1.03)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$ (6.84)</b>	<b>\$ 6.86</b>
<b>Distributions:</b>		
From capital gains	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>
<b>Net assets, end of period<sup>(4)</sup></b>	<b>\$ 38.78</b>	<b>\$ 41.61</b>

(1) This information is derived from the Fund's annual financial statements. Series A became a reporting issuer on November 21, 2007. The inception date of Series B and Series F was Jan 30, 2009 at which time they were offered for sale at \$34.04 per share.

(2) Net asset value is 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 into additional shares of the Fund.

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

### Ratios and Supplemental Data

<b>SERIES A</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	6,850	22,338	23,703	379
Number of shares outstanding <sup>(1)</sup>	177,242	535,901	697,291	24,376
Management expense ratio(MER) <sup>(2)</sup>				
Expenses	5.01%	4.55%	4.42%	25.15%
Performance fee	-	-	15.57%	18.59%
Total MER	5.01%	4.55%	19.99%	43.74%
Trading expense ratio <sup>(3)</sup>	2.38%	2.68%	8.19%	43.67%
Portfolio turnover rate <sup>(4)</sup>	475.51%	1892.20%	12403.17%	2428.03%
Net asset value per share (Pricing NAV) (\$)	38.90	42.06	34.01	15.66

## Ratios and Supplemental Data (continued)

<b>SERIES B</b>	<b>2010</b>	<b>2009</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	1,980	3,676
Number of shares outstanding <sup>(1)</sup>	51,824	88,834
Management expense ratio(MER) <sup>(2)</sup>		
Expenses	5.53%	5.19%
Performance fee	-	-
Total MER	5.53%	5.19%
Trading expense ratio <sup>(3)</sup>	2.38%	2.68%
Portfolio turnover rate <sup>(4)</sup>	475.51%	1892.20%
Net asset value per share (Pricing NAV) (\$)	38.46	41.76

<b>SERIES F</b>	<b>2010</b>	<b>2009</b>
Total Net assets (GAAP NAV) (\$) (000's) <sup>(1)</sup>	520	8,899
Number of shares outstanding <sup>(1)</sup>	13,415	213,832
Management expense ratio(MER) <sup>(2)</sup>		
Expenses	4.50%	4.21%
Performance fee	-	-
Total MER	4.50%	4.21%
Trading expense ratio <sup>(3)</sup>	2.38%	2.68%
Portfolio turnover rate <sup>(4)</sup>	475.51%	1892.20%
Net asset value per share (Pricing NAV) (\$)	39.03	41.99

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

(2) The management expense ratio has been split into two components: the Fund's normal operating expenses and the change in the accrued performance fee for the periods. The portion of the MER based on the change in the accrued performance fee amount will depend on the performance of the Fund and the criteria used to calculate the performance fee. The performance fee is discussed in detail under "Related Party Transactions".

(3) 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.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100 percent 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.

## Recent Developments

### Changeover to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has confirmed the ability to defer the adoption of International Financial Reporting Standards ("IFRS") to fiscal periods beginning on or after January 1, 2013 for entities applying *Accounting Guideline 18, Investment Companies*. The Manager intends to have the Fund adopt IFRS on January 1, 2013.

The Manager has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and includes identifying and assessing the impact of the significant differences between IFRS and Canadian GAAP that are expected to impact financial reporting.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net asset value per unit. IFRS is expected to have an impact on the presentation of securityholders' equity and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS. The current assessment and IFRS changeover plans may change if new standards are issued or if interpretations of existing standards are revised.

### Harmonized Sales Tax

Effective July 1, 2010, Ontario replaced their Provincial Sales Tax ('PST') and Federal Goods and Service Tax ('GST') with a single Harmonized Sales Tax ("HST") of 13 percent. Management fees and all other expenses charged to the Fund were subjected to an additional tax of 8%. New rules in Canada require Investment Funds to calculate HST using the residency of the unit holders and the current value of their interests, rather than the physical location of the Fund. The use of this blended rate will allow the Fund to reduce the effect of harmonization to the extent the Fund has residents in provinces not subject to HST.

### Related Party Transactions

Creststreet Mutual Funds Limited (the 'Corporation'), of which the Fund is a class of shares, is a wholly owned subsidiary of Creststreet Asset Management Limited. Creststreet Asset Management Limited, a corporation registered as a portfolio manager and an investment fund manager in Ontario and is the Manager and the Investment Advisor of the Fund.

Management fees are paid to the Manager for the management of the Fund's day-to-day administration and for providing investment advice and portfolio management services. Series A and Series B of the Fund also pay 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.

The Manager is entitled to a performance fee of 20 percent of the amount of which the each Series' cumulative total return exceeds the cumulative total return of the S&P 500 Index multiplied by the increase in net assets from operations.

### Independent Review Committee

In accordance with National Instrument 81-107 – Independent Review Committee for Investment Funds, the Corporation, has an Independent Review Committee ("IRC") with a mandate to provide impartial recommendation or judgement on conflict of interest matters with regard to the operations of the Fund and its respective portfolio. The IRC is composed of three members, all of whom are independent of the Corporation and its affiliates. The compensation and other reasonable expenses of the IRC is paid pro-rata amongst the investment funds for which the IRC has been appointed as the independent review committee, based on assets of each investment fund at the time the expenses are paid, and is paid as an expense of the Fund.

The Corporation received the following approvals and standing instructions from the IRC for the year ending December 31, 2010:

1. Expense Allocation
2. Fee Allocation
3. Start-up/Organizational Expenses
4. Standards of Fairness
5. Trade Errors and Trade Modifications
6. Trade Management and Best Execution
7. Investment Suitability and Allocation
8. Proxy Voting
9. Amending the Constating and/or Offering Documents of a Fund
10. Access Person Trading

In each case, the standing instructions require the Corporation to comply with its related policies and procedures and to report periodically to the IRC.

IRC is required to issue an annual report detailing its activities for the year, which is available to the shareholders on the website at [www.creststreet.com](http://www.creststreet.com) or at their request and at no cost by calling toll-free 1.866.864.6330.

## Management Fees

The Manager provides investment and administrative services to the Fund. In consideration of these services, each Series of the Fund pays the Manager a fee equal to 2.0 percent per annum of the net value of their respective Series, calculated and paid monthly in arrears. HST 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 Series A and Series B of the Fund and is based on the closing balance of client accounts at the end of each calendar month. Series A and Series B pay service fees on a quarterly basis at a rate of 0.5 and 1.0 percent of their respective Series' net asset value. The following amounts were paid to the Manager by the Fund as a whole for the years ended December 31, 2010 and 2009:

	2010		2009	
Management Fees	374,783	80.2%	827,986	83.4%
Service Fees Paid to Dealers	92,398	19.8%	164,586	16.6%
	<u>\$ 467,181</u>	<u>100.0%</u>	<u>\$ 992,572</u>	<u>100.0%</u>

## Summary of Investment Portfolio

As at December 31, 2010

Sector Mix	% of net assets
Solar	19.2%
Energy Efficiency	13.5%
Wind	8.0%
Renewable Energy - Transportation	7.2%
Index	7.3%
Unconventional Gas	4.9%
Geothermal	3.5%
Hydro	2.3%
Infrastructure	2.0%
Unconventional Oil	1.2%
Other	0.7%
<b>Total Investments</b>	<b>69.8%</b>
Cash and cash equivalents	31.6%
Other net assets	-1.4%
	<b>100.0%</b>

## Summary of Investment Portfolio (continued)

Top Positions	% of net assets
5N Plus Inc.	7.1%
First Solar Inc.	6.9%
Pure Technologies Ltd.	6.1%
WindTronics, LLC	5.7%
Orleans Energy Ltd.	4.9%
RuggedCom Inc.	4.8%
AltaGas Ltd.	4.6%
Lithium One Inc.	3.9%
RAM Power Corp.	3.4%
Horizons Betapro S&P 500 Inverse ETF	3.1%
Horizons BetaPro S&P/TSX 60 Inverse ETF	2.9%
Yingli Green Energy HLDG Co	2.6%
Comverge Inc.	2.6%
JA Solar Holdings Co LTD	2.6%
GWR Global Water Resources Corp.	2.0%
BIOX Corporation	1.8%
Azure Dynamics Corp.	1.5%
Horizons BetaPro NASDAQ-100 Bear Plus ETF	1.3%
Sea Dragon Energy Inc.	1.2%
Xinergy Ltd.	0.7%
U.S. Geothermal Inc.	0.1%
Opel International Inc.	0.0%
<b>Total Net Asset Value</b>	<b>\$ 9,351,032</b>

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio update is available to the investor at no cost by calling 1-866-864-6330, by writing to Creststreet Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto ON M5J 2M4 or by visiting the website at [www.creststreet.com](http://www.creststreet.com).

## 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**  
Senior Vice-President, Finance  
Chief Financial Officer  
Creststreet Mutual Funds Limited

March 9, 2011

## INDEPENDENT AUDITORS' REPORT

### To the Shareholders of Creststreet Alternative Energy Fund

We have audited the accompanying financial statements of Creststreet Alternative Energy Fund (a class of shares of Creststreet Mutual Funds Limited), which comprise the statements of net assets as at December 31, 2010 and 2009, the statements of operations and changes in net assets for the years then ended, the statement of investment portfolio as at December 31, 2010 and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Creststreet Alternative Energy Fund as at December 31, 2010 and 2009, and results of its operations and changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the "K" and extends to the right, ending under the "P" of "LLP".

**Chartered Accountants, Licensed Public Accountants**  
Toronto, Canada  
March 9, 2011

## Statements of Net Assets

As at December 31	2010	2009
<b>Assets</b>		
Investments at market value	\$ 6,523,937	\$ 27,837,055
Cash and cash equivalents	3,643,616	12,446,318
Due from broker	-	504,437
Subscription receivable	2,831	81,106
Accounts receivable	36,723	36,723
Dividend receivable	2,200	4,800
	<b>10,209,307</b>	<b>40,910,439</b>
<b>Liabilities</b>		
Securities sold short at market value	-	4,789,850
Accounts payable and accrued liabilities	165,142	247,300
Redemptions payable	62,842	366,519
Due to broker	630,291	593,709
	<b>858,275</b>	<b>5,997,378</b>
<b>Net assets - GAAP NAV (note 2)</b>	<b>\$ 9,351,032</b>	<b>\$ 34,913,061</b>
Adjustment from bid market prices to last traded market prices	59,761	316,346
<b>Net asset value - Pricing NAV (note 2)</b>	<b>9,410,793</b>	<b>35,229,407</b>
<b>Series A</b>		
Net assets- GAAP NAV (note 2)	\$ 6,850,436	\$ 22,338,110
Adjustment from bid market prices to last traded market prices	43,780	202,408
Net asset value - Pricing NAV (note 2)	<b>\$ 6,894,216</b>	<b>\$ 22,540,518</b>
<b>Shares outstanding</b>	<b>177,242</b>	<b>535,901</b>
Net assets per share - GAAP NAV (note 2)	\$ 38.65	\$ 41.68
Adjustment from bid market prices to last traded market prices	0.25	0.38
Net asset value per share - Pricing NAV (note 2)	<b>\$ 38.90</b>	<b>\$ 42.06</b>
<b>Series B</b>		
Net assets - GAAP NAV (note 2)	\$ 1,980,368	\$ 3,676,376
Adjustment from bid market prices to last traded market prices	12,657	33,315
Net asset value - Pricing NAV (note 2)	<b>\$ 1,993,025</b>	<b>\$ 3,709,691</b>
<b>Shares outstanding</b>	<b>51,824</b>	<b>88,834</b>
Net assets per share - GAAP NAV (note 2)	\$ 38.21	\$ 41.38
Adjustment from bid market prices to last traded market prices	0.25	0.38
Net asset value per share - Pricing NAV (note 2)	<b>\$ 38.46</b>	<b>\$ 41.76</b>

## Statements of Net Assets (continued)

### Series F

Net assets - GAAP NAV (note 2)	\$ 520,228	\$ 8,898,575
Adjustment from bid market prices to last traded market prices	3,324	80,623
Net asset value - Pricing NAV (note 2)	\$ 523,552	\$ 8,979,198
<b>Shares outstanding</b>	<b>13,415</b>	<b>213,832</b>
Net assets per share - GAAP NAV (note 2)	\$ 38.78	\$ 41.61
Adjustment from bid market prices to last traded market prices	0.25	0.38
Net asset value per share - Pricing NAV (note 2)	\$ 39.03	\$ 41.99

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	2010	2009
<b>Investment Income</b>		
Dividend revenue	\$ 65,259	\$ 150,094
Interest revenue	6,207	86,850
	<u>71,466</u>	<u>236,944</u>
<b>Expenses</b>		
Management fees (note 3)	374,783	827,986
Operating expenses	207,987	269,527
Legal and filing fees	62,167	170,460
Service fees	92,398	164,586
Audit fees	49,315	63,500
Dividend paid short	96	62,423
Custodial fees	1,295	38,848
Marketing Expense	14,803	113,939
Securityholder reporting costs	7,499	28,750
Independent Review Committee fees	36,100	34,681
Capital tax	31,945	-
	<u>878,388</u>	<u>1,774,700</u>
<b>Loss from investment operations</b>	<u>(806,922)</u>	<u>(1,537,756)</u>
Net realized gain (loss) on sale of investments	(301,204)	8,912,437
Change in unrealized appreciation (depreciation) of investments	(978,038)	1,294,451
Transaction costs (note 2)	(415,903)	(1,080,083)
<b>Net realized and unrealized gain (loss) on investments</b>	<u>(1,695,145)</u>	<u>9,126,805</u>
<b>Increase (decrease) in net assets from operations</b>	<u>\$ (2,502,067)</u>	<u>\$ 7,589,049</u>
Increase (decrease) in net assets from operations, Series A	\$ (1,849,038)	\$ 5,488,520
Increase (decrease) in net assets from operations per share, Series A	<u>(5.67)</u>	<u>7.24</u>
Increase (decrease) in net assets from operations, Series B	\$ (330,557)	\$ 411,097
Increase (decrease) in net assets from operations per share, Series B	<u>(4.67)</u>	<u>6.54</u>
Increase (decrease) in net assets from operations, Series F	\$ (322,472)	\$ 1,689,432
Increase (decrease) in net assets from operations per share, Series F	<u>(6.84)</u>	<u>6.86</u>

See accompanying notes to financial statements

## Statements of Changes in Net Assets

For the years ended December 31	2010	2009
<b>Net assets at the beginning of year</b>	\$ 34,913,061	\$ 23,702,525
<b>Increase (decrease) in net assets from operations</b>	(2,502,067)	7,589,049
<b>Capital transactions:</b>		
Proceeds from the issue of shares	2,563,218	34,556,158
Amounts paid on redemption of shares	(25,623,180)	(30,934,671)
<b>Net assets at the end of year - GAAP NAV (note 2)</b>	<b>\$ 9,351,032</b>	<b>\$ 34,913,061</b>
Adjustment from bid market prices to last traded market prices	59,761	316,346
<b>Net asset value at the end of year - Pricing NAV (note 2)</b>	<b>\$ 9,410,793</b>	<b>\$ 35,229,407</b>

### Series A

<b>Net assets at the beginning of year, Series A</b>	\$ 22,338,110	\$ 23,702,525
<b>Increase (decrease) in net assets from operations, Series A</b>	(1,849,038)	5,488,520
<b>Capital transactions:</b>		
Proceeds from the issue of shares	1,668,885	15,649,486
Amounts paid on redemption of shares	(15,307,521)	(22,502,421)
<b>Net assets at the end of year - GAAP NAV, Series A (note 2)</b>	<b>\$ 6,850,436</b>	<b>\$ 22,338,110</b>
Adjustment from bid market prices to last traded market prices	43,780	202,408
<b>Net asset value at the end of year - Pricing NAV, Series A (note 2)</b>	<b>\$ 6,894,216</b>	<b>\$ 22,540,518</b>

### Series B

<b>Net assets at the beginning of year, Series B</b>	\$ 3,676,376	\$ -
<b>Increase (decrease) in net assets from operations, Series B</b>	(330,557)	411,097
<b>Capital transactions:</b>		
Proceeds from the issue of shares	680,827	3,515,211
Amounts paid on redemption of shares	(2,046,278)	(249,932)
<b>Net assets at the end of year - GAAP NAV, Series B (note 2)</b>	<b>\$ 1,980,368</b>	<b>\$ 3,676,376</b>
Adjustment from bid market prices to last traded market prices	12,657	33,315
<b>Net asset value at the end of year - Pricing NAV, Series B (note 2)</b>	<b>\$ 1,993,025</b>	<b>\$ 3,709,691</b>

## Statements of Changes in Net Assets (continued)

### Series F

<b>Net assets at the beginning of year, Series F</b>	\$	8,898,575	\$	-
<b>Increase (decrease) in net assets from operations, Series F</b>		(322,472)		1,689,432
<b>Capital transactions:</b>				
Proceeds from the issue of shares		213,506		15,391,461
Amounts paid on redemption of shares		(8,269,381)		(8,182,318)
<b>Net assets at the end of year - GAAP NAV, Series F (note 2)</b>	\$	<b>520,228</b>	\$	<b>8,898,575</b>
Adjustment from bid market prices to last traded market prices		3,324		80,623
<b>Net asset value at the end of year - Pricing NAV, Series F (note 2)</b>	\$	<b>523,552</b>	\$	<b>8,979,198</b>

See accompanying notes to financial statements

## Statement of Investment Portfolio

As at December 31, 2010

Issuer	Number of Securities	Type of Security	Cost	Fair Value
5N Plus Inc.	95,000	Common shares	\$ 548,043	\$ 665,000
First Solar Inc.	5,000	Common shares	660,045	646,568
Pure Technologies Ltd.	125,000	Common shares	482,542	571,250
Windtronics LLC	1,334	Common shares	411,284	530,212
Orleans Energy Ltd.	185,000	Common shares	478,568	458,800
RuggedCom Inc.	25,000	Common shares	419,625	444,500
AltaGas Ltd.	20,000	Common shares	407,600	434,000
Lithium One Inc.	225,000	Common shares	277,346	364,500
Ram Power Corp.	140,000	Common shares	302,843	310,800
Horizons BetaPro S&P 500 Inverse ETF	35,000	Index Units	348,996	287,700
Horizons BetaPro S&P/TSX 60 Inverse ETF	25,000	Index Units	353,369	267,500
Yingli Green Energy Holding Co., Ltd.	25,000	Common shares	264,905	244,935
Comverge Inc.	35,000	Common shares	263,847	240,315
JA Solar Holdings Co., Ltd.	35,000	Common shares	239,691	239,967
GWR Global Water Resources Corp.	25,000	Common shares	187,500	188,000
Biox Corp.	150,000	Common shares	228,168	172,500
Azure Dynamics Corp.	450,000	Common shares	128,725	137,250
Horizons BetaPro Nasdaq 100 Bear Plus	15,000	Index Units	136,650	120,000
Sea Dragon Energy	750,000	Warrants	-	116,327
Xinergy Ltd.	142,750	Warrants	-	65,665
US Geothermal	90,000	Warrants	-	12,821
Ram Power Corp.	129,583	Warrants	-	5,289
OPEL International Inc.	5,800	Warrants	-	38
			6,139,747	6,523,937
Transaction costs (note 2)			(19,998)	
<b>Total investments</b>			<b>\$ 6,119,749</b>	<b>\$ 6,523,937</b>

See accompanying notes to financial statements

## Notes to Financial Statements

For the year ended December 31, 2010 and 2009

### 1. Creststreet Mutual Funds Limited

Creststreet Alternative Energy Fund (“the Fund”), along with Creststreet Resource Fund, and Creststreet Dividend & Income Fund (formerly Creststreet Managed Equity Index 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, February 10, 2006, January 29, 2007 and October 24, 2007, January 18, 2008, February 26, 2008, January 29, 2009 and November 6, 2009. The Fund became available for sale to the public upon the receipt of its simplified prospectus on November 21, 2007. Two additional series of shares, Series B and Series F, were initially offered in the prospectus dated January 16, 2009.

In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at December 31, 2010 and 2009, its investments held at December 31, 2010, and the statement of operations and the statement of changes in net assets for the year ended December 31, 2010 and 2009 and do not contain the financial statements of the Corporation. As the Funds 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 is the manager (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 (“GAAP”) and the following is a summary of significant accounting policies followed by the Fund:

#### (a) Valuation of investments

Investments are deemed to be held for trading in accordance with Section 3855 and are therefore recorded at fair value.

Fair Value of 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 that are not listed or traded on a public securities exchange or actively traded on an over-the-counter market, will be valued at its fair value determined Manager pursuant to the Manager’s established pricing policies. Acquisition cost may be used as a fair value proxy, particularly if the acquisition date of the investment was within the current fiscal year. For unlisted securities, the Manager’s policy is to use evidence of arm’s length third party transactions, where possible, in determining the fair value. The Black Scholes pricing methodology is used to price the warrants held by the Fund.

CICA Emerging Issues Committee Abstract 173 – Credit Risk and Fair Value of Financial Assets and Financial Liabilities (“EIC-173”) clarifies how the Fund’s own credit risk and counterparty risk should be taken into account in determining the fair value of financial instruments. The application of EIC-173 does not have a significant impact on the valuation of the Fund’s financial instruments or its net assets.

CICA Handbook Section 3855 impacts the valuation and the disclosure of the net assets of an investment fund for financial reporting purposes (“GAAP NAV” or “Net Assets”) as Canadian GAAP requires securities traded on a public exchange be valued at bid price for long positions and ask price for securities sold short. The value used to determine the Fund’s daily price for purchases and redemptions of shares (“Pricing NAV” or “Net Asset Value”) is, however, not affected by the Section 3855 accounting policy change, as permitted by NI 81-106. This will result in a difference between the Net Assets Value (Pricing NAV) and Net Assets (GAAP NAV), which is presented in the Statements of Net Assets.

#### (b) Cash and cash equivalents

Cash comprises of cash on deposit. These are deemed to be held for trading and are therefore carried at fair value.

#### (c) Other assets and liabilities

Accounts receivable, dividend receivable, due from broker and subscription receivable are designated as loans and receivable and are recorded at cost or amortized cost. Similarly, due to broker, redemption payables, and accounts payable and accrued liabilities are designated as other financial accrued liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities due to their short term nature.

(d) **Brokerage commissions**

In accordance with Section 3855, transaction cost directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction Costs" in the Statement of Operations.

(e) **Investment transactions and income and expense 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 and dividend expense on securities sold short are recognized on the record date and interest income is accrued as earned.

(f) **Income taxes**

The Fund qualifies and intends to continue to qualify 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 percent 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 distribute to its shareholders 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.

(g) **Use of estimates**

The preparation of financial statements in accordance with GAAP 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.

(h) **Net assets per share by series**

Net assets per share by series is computed by dividing the net assets of the Fund at the valuation date attributable to each series of securities (after the deduction of all expenses attributable to the Fund as a whole, and the deduction of any expenses attributable to each series individually) by the total number of shares of each series of the Fund outstanding.

(i) **Increase (decrease) in net assets from operations per share**

The increase (decrease) in net assets from operations per share by series in the statements of operations represents the change in net assets from operations attributable to each series divided by the average number of shares of that series outstanding during the year. Income, expenses, other than management fees, and realized and unrealized gain (loss) are distributed amongst the different series of shares in proportion to the amount of equity invested in them.

### **3. Management Fees and Performance Fees**

The Manager provides investment and administrative services to the Fund. In consideration for these services, the Fund pays the Manager an annual fee of 2.0 percent for Series A, Series B and Series F, calculated and payable monthly in arrears. For the year ended December 31, 2010 the management fee amounted to \$374,783 (2009 - \$827,986). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

The Manager is entitled to a performance fee equal to 20 percent of the amount by which the Fund's cumulative total return exceeds the cumulative total return of the S&P 500 Index in a calendar year multiplied by the increase in net asset value from operations. The performance fee is estimated and accrued weekly, calculated at calendar year-end and is paid within 15 days after calendar year-end if positive. The performance fee will be prorated for any period that the Fund exists that is less than a full calendar year except that the first performance period for purposes of the performance fee ended on December 31, 2010. No performance fee will be payable if the performance of both the Fund and the S&P 500 Index are negative during the period. The performance fee expensed as at December 31, 2010 was \$nil (2009 - \$nil).

### **4. Dividends Paid to Shareholders**

As of December 31, 2010 and 2009, the Fund did not declare a capital gain dividend and hence there was no reinvestment into the Fund.

### **5. Financial Instrument Risk**

The Fund's objective is to provide stable, long-term growth of capital while conservatively managing value at risk. The Fund invests primarily in the securities of North American companies seeking to capitalize on opportunities in the production of energy using alternative methods beyond traditional, carbon-based sources. Accordingly, the Fund's portfolio is comprised mainly of equities issued by North American solar energy, alternative fuels, and wind energy

companies. The Fund may invest in foreign securities up to a maximum of 50 percent of the Fund's NAV, although typically, the weighting of foreign securities does not exceed 30 percent of the Fund's NAV. The Fund's use of financial instruments gives rise to a number of risk factors.

#### Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of volatility of market prices. Market risk is comprised of three types of risk: *currency risk*, *interest rate risk*, and *other price risk*.

#### Currency Risk

Currency risk is the risk that the fair value of a financial instrument could fluctuate due to changes in foreign currency exchange rates. The Fund's functional currency is Canadian dollars, and the Fund is exposed to foreign currency risk when it invests in securities denominated in another currency since the fair value of those securities is determined by converting the price of the security into Canadian dollars.

As at December 31, 2010, had the Canadian Dollar appreciated or depreciated by 5% in relation to the applicable foreign currency, the NAV of the Fund will be higher or lower as detailed below.

As at December 31, 2010:

Currency	Investments	Cash & Cash Equivalents	Total	Impact on the NAV	Impact as a % of the NAV
US dollars	\$ 1,914,817	\$ -	\$ 1,914,817	\$ 95,741	1.02%

As at December 31, 2009:

Currency	Investments	Cash & Cash Equivalents	Total	Impact on the NAV	Impact as a % of the NAV
US dollars	\$ 88,471	\$ -	\$ 88,471	\$ 4,424	0.01%

#### Interest Rate Risk

Interest rate risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market interest rates. The immediate impact of interest rate risk is greatest on debt and fixed income securities that have a relatively long duration (generally a year or more to maturity). The Fund did not hold any such securities as at December 31, 2010 or 2009, or at any time during the year then ended.

#### Other Price Risk

Other price risk is the risk that the fair value of a financial instrument could fluctuate due to changes in market conditions other than currency or interest rate risk. These changes could be due to a number of factors including, but not limited to; changes in relation to a specific security or the issuer of a security, changes in the prices of a market sector's underlying commodity, or changes due to shifts in overall market sentiment. The Fund's Manager mitigates other price risk by managing and allocating the investment portfolio within the parameters of the Fund's investment objectives. As at December 31, 2010 and 2009 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV of the Fund may have been \$224,069 or 3.43% percent higher or lower (2009 - \$347,350 or 1.51 percent). This estimation is based on statistical tools that measure the relationships between each security in the Fund's portfolio and how their returns relate to the return of the overall equities markets. In reality, results could differ from this estimate and the difference could be material.

#### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligations or commitments that it has entered into with the Fund. The Fund does not typically invest in debt securities, thereby minimizing the Fund's exposure to credit risk. The Fund is exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for cash. Canadian securities regulations require that the Fund employs a custodian that meets certain capital requirements. These regulations state that, among other things, a fund's custodian be either a bank listed in Schedule I, II, or III of the *Bank Act (Canada)*, or a company incorporated in Canada affiliated with a bank with

shareholders' equity of not less than \$10,000,000. The Fund's custodian, RBC Dexia Investor Services Trust, meets all Canadian Securities Administrators' requirements to act as custodian.

### Liquidity Risk

The Fund is subject to the possibility of net redemptions on a weekly basis. The Fund invests the majority of its net assets in securities that are traded on a public exchange and can be readily liquidated if and as required in order to meet its redemption obligations. The Fund also retains sufficient cash and cash equivalents to maintain liquidity. The Fund is also permitted to borrow up to 5 percent of its net assets to fund redemptions; however the Manager is diligent to ensure such action is not required. No such borrowings occurred during the period.

## 6. Fair Value Measurement

CICA Handbook Section 3862 "Financial Instruments – Disclosures" requires the Fund to present a classification of fair value measurements of the Fund's investment based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair value inputs is summarized as follows:

- Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that are easily accessible.
- Level 2:* Inputs other than quoted prices that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
- Level 3:* Inputs for assets or liabilities that are not based on observable data. There is little, if any, market activity and hence the requires significant management judgment or estimation.

As at December 31, 2010:

	Level 1		Level 2		Level 3		Total
<b>Assets</b>							
Equities	\$	5,118,385	\$	-	\$	530,212	\$ 5,648,597
Index Units	\$	675,200	\$	-	\$	-	\$ 675,200
Warrants	\$	65,665	\$	134,475	\$	-	\$ 200,140
Total Assets	\$	5,859,250	\$	134,475	\$	530,212	\$ 6,523,937
<b>Total</b>	<b>\$</b>	<b>5,859,250</b>	<b>\$</b>	<b>134,475</b>	<b>\$</b>	<b>530,212</b>	<b>\$ 6,523,937</b>

As at December 31, 2009:

	Level 1		Level 2		Level 3		Total
<b>Assets</b>							
Equities	\$	25,496,694	\$	864,800	-	\$	26,361,494
Trust Units		558,800		-	-		558,800
Warrants		-		916,761	-		916,761
Total Assets		26,055,494		1,781,561	-		27,837,055
<b>Liabilities</b>							
Equities		(4,205,500)		-	-		(4,205,500)
Index Units		(584,350)		-	-		(584,350)
Total Liabilities		(4,789,850)		-	-		(4,789,850)
<b>Total</b>	<b>\$</b>	<b>21,265,644</b>	<b>\$</b>	<b>1,781,561</b>	<b>\$</b>	<b>-</b>	<b>\$ 23,047,205</b>

The following table is a reconciliation of Level 3 fair value measurements from December 31, 2009 to December 31, 2010:

	<b>Equities</b>
Balance at December 31, 2009	-
Net purchases and sales	411,284
Net transfers in (out)	-
<i>Gains (Losses)</i>	
Realized	-
Unrealized	118,928
Balance at December 31, 2010	\$ 530,212

## 7. Valuation of Private Investments

The following table details the Fund's changes in the valuations for securities not traded on a public exchange during the years ended December 31, 2010 and 2009. The table is arranged in alphabetical order by investment:

	Prior fair value	New fair value	Valuation basis
<b><u>Windtronics, LLC</u></b>			
December 2010	\$ 411,284	\$ 530,212	Write-up from cost based on third party financing completed at higher value.

## 8. Changeover to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") has confirmed the ability to defer the adoption of International Financial Reporting Standards ("IFRS") to fiscal periods beginning on or after January 1, 2013 for entities applying *Accounting Guidelines 18, Investment Companies*. The Manager intends to have the Fund adopt IFRS on January 1, 2013.

The Manager has developed an IFRS changeover plan, which addresses key elements of the conversion to IFRS and includes identifying and assessing the impact of the significant differences between IFRS and Canadian GAAP that are expected to impact financial reporting.

Based on the Manager's current evaluation of the differences between Canadian GAAP and IFRS, the adoption of IFRS is not expected to have a significant impact on the calculation of net asset value per unit. IFRS is expected to have an impact on the presentation of securityholders' equity and result in additional disclosure in the accompanying notes. The Manager continues to monitor changes to IFRS. The current assessment and IFRS changeover plans may change if new standards are issued or if interpretations of existing standards are revised.

## 9. Comparative Balances

Comparative figures have been reclassified where necessary to afford a meaningful comparison with the current period.

## Creststreet Mutual Funds Limited

### Board of Directors

**Jeffrey S. Boyce\***

Chairman and Chief Executive Officer  
SURE Energy Inc.

**Stuart P. Hensman\*\***

Corporate Director

**John E. Thompson\***

President and Chief Executive Officer  
Sirius Energy Inc.

**Robert J. Toole, C.A.**

Managing Director  
Creststreet Asset Management Limited

### Officers

**Robert J. Toole, C.A.**

President and Chief Executive Officer

**Donna E. Shea, C.A.**

Senior Vice-President, Finance and  
Chief Financial Officer

**Sheryl J. Chiddenton**

Vice-President, Compliance and  
Investment Services

\* Member of the Audit Committee and  
Independent Review Committee

\*\* Chair of the Audit Committee and  
Independent Review Committee

### Administrator and Custodian

RBC Dexia Investor Services Trust  
Toronto, Ontario

### Prime Broker

Scotia Capital Inc.  
Toronto, Ontario

### Investment Advisor and Investment Fund Manager

Creststreet Asset Management Limited  
Toronto, Ontario

### Clearing and Settlement Services

FundSERV Inc.

### Fund Symbols

CAM100, CAM151, CAM152  
CAM300, CAM301, CAM302  
CAM400, CAM401, CAM402

### Auditors

KPMG LLP  
Toronto, Ontario

### Registered Address

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