



# Creststreet Alternative Energy Fund

September 2009 Newsletter

## Net Asset Value Per Share

September 30, 2009:

Series A - \$40.7070

## Fund Description

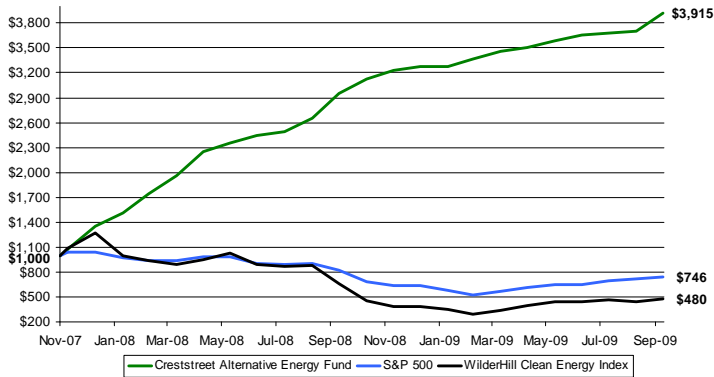
The Creststreet Alternative Energy Fund (the "Fund" or "CAEF") provides Canadian investors with exposure to a broad array of investments in sub-sectors of the energy market outside of conventional oil and natural gas. The investment objective is to provide stable long-term growth of capital while conservatively managing value at risk. The Fund invests primarily in securities of North American issuers whose businesses exploit opportunities to generate energy beyond what traditional dependence on carbon-emitting sources supply.

## Historical Performance <sup>(1)</sup>

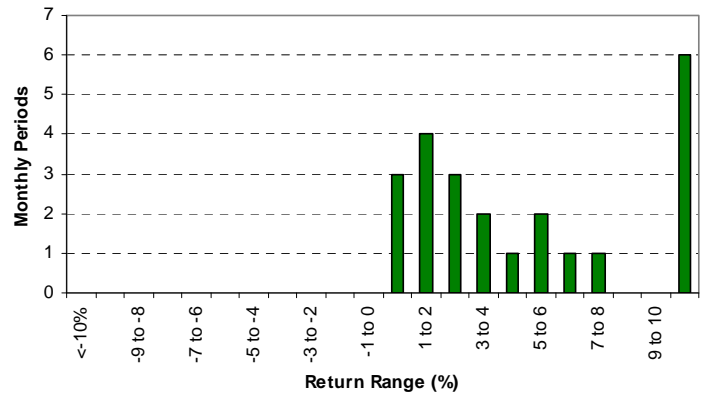
| Year | Jan   | Feb   | Mar   | Apr   | May  | Jun  | Jul  | Aug  | Sep     | Oct  | Nov  | Dec   | YTD    |
|------|-------|-------|-------|-------|------|------|------|------|---------|------|------|-------|--------|
| 2007 |       |       |       |       |      |      |      |      |         |      |      |       | 34.8%  |
| 2008 | 12.6% | 14.5% | 12.9% | 14.9% | 4.7% | 3.8% | 2.0% | 6.4% | 11.3% * | 5.7% | 7.6% | 25.3% | 142.1% |
| 2009 | 0.1%  | 2.8%  | 2.7%  | 1.5%  | 2.1% | 1.8% | 0.9% | 0.4% | 5.9%    |      |      | 1.5%  | 19.7%  |

\* Manager clarified performance fee calculation language in prospectus in favor of unitholders resulting in a +9.6% increase in NAV.

## Performance <sup>(1)(2)</sup>



## Distribution of Returns <sup>(1)</sup>



## Statistics <sup>(1)(2)</sup>

|  | CAEF   | S&P 500 Index | WilderHill Clean Energy Index |
|--|--------|---------------|-------------------------------|
| Compounded Annual Return (since inception) | 108.3% | -14.6%        | -32.6%                        |
| 1 Year Return                              | 32.5%  | -9.4%         | -27.5%                        |
| Since Inception (simple return)            | 291.5% | -25.4%        | -52.0%                        |
| Standard Deviation                         | 6.2%   | 6.9%          | 13.7%                         |
| R-Squared                                  |        | 0.01          | 0.00                          |
| Correlation                                |        | (0.11)        | 0.03                          |
| Beta                                       |        | (0.10)        | 0.02                          |
| Monthly Alpha                              |        | 6.2%          | 6.3%                          |
| Sharpe Ratio                               | 6.50   | -1.51         | -1.12                         |
| Largest Month Gain                         | 25.3%  | 9.4%          | 17.5%                         |
| Largest Month Loss                         | n.a.   | -16.9%        | -32.1%                        |

## Top 5 Holdings as at September 30, 2009 <sup>long positions only</sup>

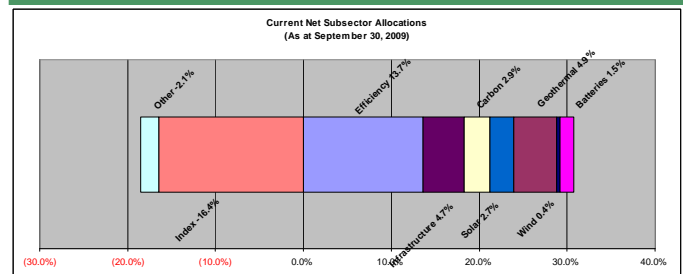
- 5N Plus Inc.
- Aastra Technologies Ltd.
- Advantage Oil & Gas Ltd.
- HTC Purenergy Inc.
- RuggedCom Inc.

<sup>(1)</sup> Inception date of the Fund is November 21, 2007. The indicated rates of return are historical annual compound total returns and do not take into account sales, redemption, distribution or operational charges or income taxes payable by any security holder that would have reduced returns. Performance shown is based on Series A of the Fund. Performance is calculated net of fees.  
<sup>(2)</sup> See Use of Benchmarks Disclaimer on page 3.

## Highlights

- Exposure to high growth emerging sector with a North American focus
- Ability to engage in short selling as a complement to the Fund's primary discipline of buying securities with the expectation that they will appreciate in market value
- Specialist renewable energy investment manager with extensive renewable energy project development experience
- Leverage existing energy investment platform
- Intensive in-house due diligence and research to identify investment opportunities

## Sub-Sector Allocation as at September 30, 2009



## Fund Commentary

The Creststreet Alternative Energy Fund was up 5.9 percent during the month of September compared to the S&P 500 Index, which was up 3.6%, and the Wilderhill Clean Energy Index, which was up 9.4 percent.

### Outlook

North American equity markets continued their advance in September, with the S&P gaining 3.6%, the Dow 2.3%, and the TSX 4.9%. These gains came on the back of mixed signs from economic data releases. The Industrial Production Index and the ISM Manufacturing PMI both showed signs of increased economic activity largely based on an inventory rebuild by producers. In contrast, New Orders of Durable Goods declined 2.4% in August, Consumer Credit showed its greatest monthly fall since 1954, and the number of monthly job losses increased, pushing the core Unemployment Rate to 9.8%.

Our thesis for several months has been that the rebound from the current recession will not be a strong V-shaped recovery, but rather will be followed by a period of prolonged stagnation with a strong likelihood that a further economic contraction occurs in the near to medium-term. Throughout the spring and summer, economic data points were released demonstrating that, firstly the rate of contraction was slowing, and then that the economy was stabilizing. Such developments are necessary conditions for a strong economic rebound, but they are not sufficient ones. While the equity markets ran up significantly on this news, pricing in a full V-shaped recovery, we have only participated in the rally from a trading perspective in recent months; because of our view that the economic fundamentals have not changed – the US economy is going through a period of debt deflation, one where its former engine of growth, the consumer, must deliver within an anaemic labour market.

This strategy of a net-long trading stance worked well during September. In particular, the Fund benefited from the accumulation of select natural gas equities during August. Most long positions reached our targeted levels during the month, and as such we took the opportunity to reduce or expel exposure to these names in the portfolio. The core market neutral renewable component of the portfolio also lent strong support to the Fund's September performance.

Looking forward, we continue to believe there to be a very wide disconnect between the market's interpretation of recent economic data and the reality thereby implied. Over the coming months we expect that additional economic indicators are likely to make the prospects of stagnation or a double dip more apparent, and that there is a strong potential for the larger investor base to incorporate this economic view more prominently into its investment decision-making.

We continue to believe that there are several potential catalysts that will be realized before the end of 2009 within our sector. The US Department of Energy announced loan guarantees to the wind sub-sector and grants to the storage sub-sector during the summer months. It has provided indications that similar announcements will be forthcoming for other sub-sectors. In particular the current timeline has the \$3.9 billion in smart grid stimulus grants being announced in mid November and further loan guarantees before the end of the year.

**Use of Benchmarks** - Wilderhill Clean Energy Index (WCEI) is comprised of North American renewable energy companies and is used as a benchmark to show how the Fund is performing in relation to a basket of similar companies to those in which the Fund invests. The S&P 500 is comprised of 500 U.S. large cap companies and is used as a benchmark to show how the Fund is performing in relation to the broader North American market on a relative basis.

### About Creststreet

Creststreet is a performance-driven investment management firm focused exclusively on the energy sector. Founded in 2000, our mission is to achieve **excellence in energy investing** through strong and consistent investment performance across all of our energy investment products for our Canadian and international institutional and high net worth investors.

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