

# Alternative Energy Fund

October 2010 Newsletter

## Net Asset Value Per Share

October 31, 2010:

Series A -	\$36.1722
Series B -	\$35.7962
Series F -	\$36.2621

## 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.

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

As at October 31, 2010

MTD	3 month	6 month	1 year	3 years	5 years	10 years	Since inception
-1.4%	-2.1%	-8.8%	-11.5%	-	-	-	52.7%

Historical Annual Performance

2007	2008	2009	YTD 2010
34.8%	142.1%	23.7%	-14.0%

(1) 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.

## Portfolio Managers



**Robert J. Toole, CA**  
President, CEO &  
Portfolio Manager



**Michael Clare, CA, CFA**  
Vice President &  
Portfolio Manager

## Top 5 Holdings <sup>long positions only</sup>

5N Plus Inc.  
Advantage Oil & Gas Ltd.  
First Solar Inc.  
Pure Technologies Ltd.  
RuggedCom Inc.

## Fund Details

Type	► North American Equity
Sector	► Alternative Energy
Inception Date	► November 21, 2007
RRSP/TFSA eligible	► Yes
Distributions	► Annually – capital gains

Pricing	► Weekly
Minimum initial purchase	► \$1,000
Minimum subsequent purchase	► \$100
Switch fee	► None

Series	Fund Code	Load Type	Mgmt Fee	Performance Fee	Service Fee	Short-Term Trading Fee
A	CAM400	FE 0-5%	2.00%	2/20 over S&P 500	0.50%	2% within 90 days of purchase
B	CAM 401	FE 0-5%	2.00%	2/20 over S&P 500	1.00%	2% within 90 days of purchase
F	CAM 402	No Load	2.00%	2/20 over S&P 500	0.00%	2% within 90 days of purchase

Performance. Service. Integrity.



## Fund Commentary

The Creststreet Alternative Energy Fund was down 1.4% during the month of October compared the Wilderhill Clean Energy Index, which was up 1.7%, and the S&P 500 Index, which was up 3.7%. Year to date the Fund is off 14.0% compared to the Wilderhill Clean Energy Index, which is off 8.9%, and the S&P 500 Index, which is up 6.1%.

The Fund continues to employ a strategy of investing the top renewable energy companies while hedging broader market equity exposure. This strategy has been very profitable for the Fund. Since inception, the Fund has generated a compounded annual return of +52.7% outperforming both its benchmarks, as the S&P 500 and the Wilderhill Clean Energy Index were down 5.9% and 24.0%, respectively, on a compounded annual basis since the Fund's inception.

In late 2009, 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. Recently we have begun to see early signs of money flowing back into the alternative energy sector and have cautiously started increasing our net exposure by adding positions and reducing market hedges. We expect that this trend will continue through to the end of the year and into 2011.

### Outlook

Global equity markets continued to rally in October as economic data began to turn positive and as market expectations continued to build in anticipation of an announcement by the U.S. Federal Reserve (the "Fed") that they would launch a second round of quantitative easing. A \$600 billion purchase was subsequently announced by the Fed on November 3. When combined with the reinvestment program on maturing securities, the Fed ultimately expects that it will purchase between \$850 billion and \$900 billion of Treasury securities over the next 8 months. All of these factors combined with improving investor sentiment continue to support equity prices.

Despite some laggards in the alternative energy sector, the long term outlook for the sector remains very positive and we believe the sector will outperform broad North American equity markets over the next decade. We believe most 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 underperform the broader equity markets for short periods of time, as it has so far 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.

### Focus Back on Solar Stocks – Sunshine after the Rain

The month of October saw a number of positive developments for the solar sector and we are beginning to get constructive on the space once again. During the month, First Solar Inc. ("FSLR") – the market leader in the solar sector and one of the Fund's largest positions – announced 380 MW of new orders as well as plans to construct two new manufacturing facilities. Given the conservative nature of the company, we believe this development is extremely positive for both the sector as a whole and for FSLR and 5N Plus Inc. ("VNP") – a key supplier to FSLR and another one of the Fund's largest positions – in particular. Towards the end of the month, shares of FSLR sold off as the company guided toward lower prices for 2011 on its third quarter earnings call. We believe, however, that the company will continue to grow its bottom line as manufacturing cost reductions and production growth will more than offset a decline in prices. Ultimately there will be a few winners and many losers in the sector and we believe FSLR and VNP are well positioned to grow their earnings and market share going forward.

**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 an independent, employee-owned, performance driven asset Management Company. Founded by our strength and expertise in energy, we have built a diversified award-winning investment management team. Creststreet brings to its Fund's investors unique core and specialty products by combining our superior research with our active management style.

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