



# Creststreet Alternative Energy Fund

October 2008

## Net Asset Value Per Share

**October 31, 2008: \$32.47**

## Creststreet Alternative Energy Fund Monthly Newsletter

Each month, Creststreet's fund managers will provide an update on the Creststreet Alternative Energy Fund (the "Fund") and will provide commentary on market conditions, the Fund's portfolio strategy and notable developments in the alternative energy sector.

### Terms

<b>Fund AUM</b>	\$19.2 M	<b>Minimum Initial Subscription</b>	\$ 1,000
<b>Performance Fee</b>	20% with hurdle rate above S&P 500	<b>Year End</b>	December 31
<b>Management Fee</b>	2%	<b>Redemption and Contributions</b>	Weekly
<b>Administrator</b>	International Financial Data Services	<b>Pricing</b>	Weekly
<b>Type</b>	North American Equity	<b>Auditors</b>	KPMG LLP
<b>Fund Code</b>	CAM 400	<b>RRSP eligible</b>	Yes

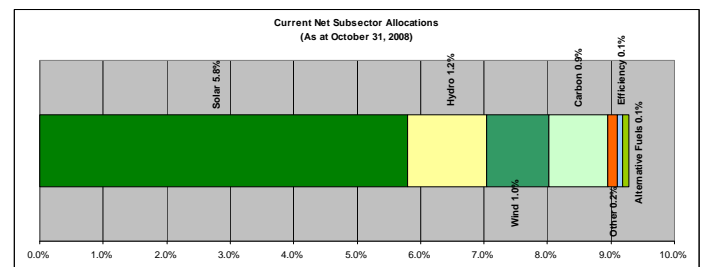
### Top 5 Holdings as at September 30, 2008 <sup>\*long positions only</sup>

5N Plus Inc.	MEMC Electronic Materials Inc.
Altagas Income Trust	ZCL Composites Inc.
First Solar Energy	

### Fund 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 October 31, 2008



### Investment Strategy

To invest primarily in securities of companies whose businesses exploit opportunities to generate energy beyond North America's traditional dependence on high carbon-emitting fuel sources. The Fund will seek investments that offer value by way of strong current earnings potential along with above average near term growth, while conservatively managing value-at-risk through exposure to large and established business that fall within the Fund's mandate.

The Creststreet Alternative Energy Fund employs a Growth at a Reasonable Price investment strategy and evaluates opportunities using a top-down approach to establish core holdings. The Fund also invests up to 60 percent of its net assets more actively to enhance diversification and capture perceived short-term opportunities and market trends. The investment strategy follows strong disciplines with regard to diversification and relative values.

Our goal is to provide investors with long-term growth of capital in excess of the total return of the S&P 500, while offering portfolio diversification in the emerging high-growth alternative energy asset class.

## Fund Commentary

Note: As the Creststreet Alternative Energy Fund will reach the one year since inception mark in the coming weeks, the November issue of our newsletter will now be able to feature detailed performance reporting.

### **Global Economic Uncertainty Continues**

During the month, global markets continued to experience sharp losses. The TSX Composite Index moved down 16.9 percent, the Dow Jones Industrial Average fell 14.1 percent during the month and the TSX Capped Energy Index fell 19.8 percent. Also during the month, the Canadian dollar weakened, falling 11.3 percent against the U.S. dollar to \$0.8328. The Chicago Board Options Exchange Volatility Index (VIX) hit a historic high of 89.53 during the month.

### **Fund Performance and Strategy**

During the month the Fund maintained its strategy of low market exposure, holding a large cash position to protect the Fund from sharp volatility seen across the market. The Fund took advantage of some opportunistic short-term trading opportunities, primarily in short positions on two U.S. solar companies, a Dow Jones Industrial Average bear exchange-traded fund and a TSX-listed power and income fund, which announced a distribution cut of 74 percent during the month. Despite extreme volatility across all sectors, the Fund has been able to manage volatility without putting too much capital at risk.

The primary long position the Fund held going into the month of October was in 5N Plus, a feedstock supplier to First Solar. As we write this commentary, (November 1<sup>st</sup>), this position is up over eight percent from its September 30<sup>th</sup> closing price, and over 50 percent from its October low. This demonstrates that opportunity exists in top quality names that are appropriately positioned in the value chain and are recognized for their value by the market. The large movements in 5N Plus's market capitalization over the past two months exemplify how an ongoing awareness of changing valuations along with a solid understanding of company fundamentals can translate volatility into opportunity.

During the month we spent a significant amount of time analyzing detailed information from over 75 companies in our investment universe with the goal of assessing how company fundamentals and valuations have been impacted by deteriorating economic conditions and the harsh sell-off of their securities in the market. We have identified a select number of companies that we believe have reached extremely attractive valuations and we are preparing to begin rebuilding the Fund's portfolio over the next three months with these undervalued equities.

### **Outlook**

In our view, the long-term supply and demand fundamentals of energy commodities remain unchanged. In the near-term, demand for both alternative and conventional energy will fall as global economic growth slows. We will closely monitor the impact of lower prices in traditional energy sources on the growing alternative energy sector over the next 12-24 months and will continue to position the Fund for protection of capital. We expect that this period of soft energy prices will lead to a short-term reduction in investment in new sources of energy supply, however, as global economic growth re-establishes itself, the long-term upward trend in energy prices will resume.

## 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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