



Creststreet Dividend & Income 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 DIVIDEND & INCOME 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

The Creststreet Managed Equity Index Fund was renamed Creststreet Dividend & Income Fund on June 22, 2010 subsequent to a positive shareholder vote. For the first half of 2010, the Fund declined by 7.5% while the S&P/TSX Composite Index declined by 3.8% and the S&P Global 1200 in Canadian dollars declined by 9.9%. Throughout the period, the Fund maintained exposure to broad domestic and foreign equity markets in accordance with its investment policy. The Fund's major position in the S&P/TSX 60 Index was weighted heavily to the energy and financial sectors. The Fund remained diversified with positions in index funds that contain a wide range of stocks from Europe, Australasia and the Far East. This investment is hedged to Canadian dollars in order to eliminate foreign currency risk. The Fund chose not to hold equity investments other than index participation units.

On June 22, 2010, the investment objectives and fees of the Fund were changed pursuant to a positive shareholder vote. The Fund now invests in a diversified portfolio of equity and fixed income securities of primarily Canadian issuers which will include income trusts including one or more of business income trusts, convertible debentures of trusts, oil and gas trusts and real estate investment trusts. During the second half of 2010, the Fund returned 8.3% which resulted in an annual return of 0.2%. During the second half of 2010, the DEX Universe Overall Bond Index returned 2.4% while the S&P TSX Income Trust Index returned 17.8%. The Fund's custom index returned 10.1% which is 50% of each of the two aforementioned indices. The Fund underperformed the custom benchmark due to being underweight oil and gas for most of the second half.

The Fund commenced monthly distributions beginning in July 2010 and paid out a total of \$0.204 cents per share.

Revenues and Expenses

The increase in dividend income to \$88,586 in 2010 compared to \$54,262 in 2009 is related to investing in dividend paying securities in accordance with the change in investment objectives.

Management fees and service fees are calculated on the net asset value ("NAV") of the Fund. Management fees increased to \$23,541 from \$12,891 in 2009 due to the increase of the total assets of the Fund and the increase in the management fee from 0.5% to 1.25% effective June 22, 2010. Service fees increased to \$18,219 from \$12,166 in 2009 due to the increase of the total assets of the Fund in 2010. The other expenses incurred by the Fund were in the normal course of the Fund's operations and totaled \$124,265 for 2010 compared to \$68,824 in 2009 for the year ended December 31 of the respective years. The increases were mainly for operating and legal expenses for the purposes of restructuring the Fund.

Investment Objectives and Strategies

At a special meeting of shareholders held on June 22, 2010, shareholders approved the proposed changes to the investment objectives of the Creststreet Managed Equity Index Fund to focus on investing in dividend and income securities and to change the fees charged to the Fund by the Manager. In line with its new investment objective the Fund was renamed from Creststreet Managed Equity Index Fund to Creststreet Dividend and Income Fund.

The Fund's objective is to provide a high level of stable investment returns through a combination of interest, dividends and capital gains while emphasizing capital preservation. The Fund invests in a diversified portfolio of equity and fixed income securities of primarily Canadian issuers which will include income trusts including one or more of business income trusts, convertible debenture of trusts, oil and gas trusts and real estate investment trusts. The Fund may also invest in foreign securities up to a maximum of 50% of the Fund's NAV.

The Fund will employ a value-based approach to investing with an emphasis on long-term value. 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 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.

Risk

The value of a mutual fund can change from day to day because the value of the securities in which it invests can be affected by numerous factors, including but not limited to changes in interest rates, the economy and financial markets or company news. 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.

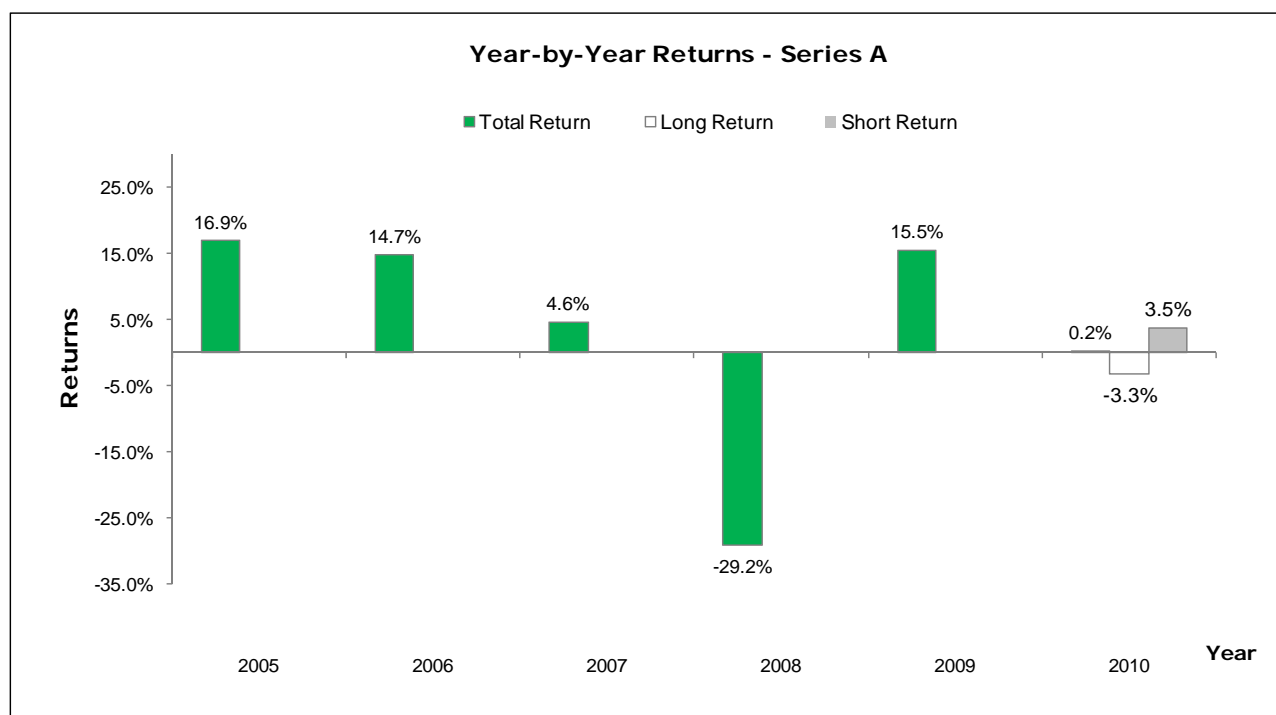
Past Performance

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.

Year-by-Year Returns

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

There are two series of this Fund as of December 31, 2010. The Inception date of Series A is December 30, 2004 and the performance data is presented below. The performance data for Series F has not been presented as the series commenced operation on October 22, 2010 and has not been in operation for a full financial fiscal 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.

About the Indices and Fund Performance

The following table shows the Series A'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 Dividend and Income Fund	S&P/TSX Composite Index	S&P Global 1200 in \$US	S&P Global 1200 Index (C\$)
1 year	0.2%	14.4%	9.2%	3.7%
3 years	-6.4%	-0.9%	-6.8%	-6.7%
5 years	-0.3%	35.9%	6.5%	-19.0%
Since Inception	2.3%	6.4%	1.8%	-1.3%

During the second half of 2010, the Fund increased by 8.3%. For the first half of 2010, the Fund declined by 7.5%. The total return for the year was 0.2%.

For the first half of 2010, the S&P/TSX Composite Index declined by 3.8% and the S&P Global 1200 in Canadian dollars declined by -9.9%. During the first half of the year, the Fund maintained exposure to broad domestic and foreign equity markets in accordance with its investment policy.

During the second half of 2010, the DEX Universe Overall Bond Index returned 2.4% while the S&P TSX Income Trust Index returned 17.8%. The Fund's custom index returned 10.1% which is 50% of each of the two aforementioned indices. The Fund underperformed the custom benchmark due to being underweight oil and gas for most of the second half.

Additional Notes on Performance

The following table illustrates the returns for 2010 broken down to show the performance of the Series A during each period before and after the revision of the blended benchmark index.

	Series A	S&P/TSX Composite Index	S&P Global 1200 in \$US	S&P Global 1200 Index (C\$)	Custom Benchmark Index *
Jan - Jun 2010	-7.5%	-3.8%	-11.1%	-9.9%	n/a
Jun - Dec 2010	8.3%	19.0%	22.8%	15.2%	10.1%

* The Custom Benchmark Index is an equal weighting of the DEX Universe Overall Bond Index and the S&P TSX Income Trust Index.

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 past five years. This information is derived from the Fund's the annual financial statements of preceding years.

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

SERIES A	2010	2009	2008	2007	2006
Net assets, beginning of period⁽⁴⁾	\$ 7.39	\$ 6.39	\$ 10.14	\$ 10.26	\$ 11.67
Increase (decrease) from operations:					
Total revenue	0.27	0.16	0.23	0.39	0.39
Total expenses	(0.51)	(0.26)	(0.24)	(0.24)	(0.22)
Realized gains (losses) on investments	(0.46)	-	0.06	0.11	-
Unrealized gains (losses) on investments	0.91	1.06	(2.81)	0.20	1.26
Transaction costs	(0.03)	-	-	(0.01)	-
Total increase (decrease) from operations⁽²⁾	\$ 0.18	\$ 0.96	\$ (2.76)	\$ 0.44	\$ 1.43
Distributions:					
From capital gains	(0.20)	-	(1.03)	(0.56)	(2.85)
Total annual distributions⁽³⁾	(0.20)	-	(1.03)	(0.56)	(2.85)
Net assets, end of period⁽⁴⁾	\$ 7.19	\$ 7.39	\$ 6.39	\$ 10.14	\$ 10.27

SERIES F	2010
Net Assets, beginning of period⁽¹⁾	\$ 7.21
Increase (decrease) from operations:	
Total revenue	0.07
Total expenses	(0.11)
Realized gains (losses) for the period	0.19
Unrealized gains (losses) for the period	(0.04)
Transaction costs	(0.02)
Total increase (decrease) from operations⁽²⁾	\$ 0.09
Distributions:	
From capital gains	(0.10)
Total annual distributions⁽³⁾	(0.10)
Net Assets, end of period⁽⁴⁾	\$ 7.19

- (1) This information is derived from the Fund's annual financial statements. Inception date of Series A and Series F are December 30, 2004 and October 22, 2010 respectively. The inception NAV of these series was \$10.00 per share and \$7.2082 per share respectively.
- (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 shares.
- (4) These calculations are prescribed by securities regulators and are not intended to act as a continuity of the opening and closing net assets per share.

Ratios and Supplemental Data

SERIES A	2010	2009	2008	2007	2006
Total Net asset value (GAAP NAV) (\$) (000's) ⁽¹⁾	3,632	2,230	2,785	3,185	3,431
Number of shares outstanding ⁽¹⁾	505,119	301,832	436,007	314,031	334,138
Management expense ratio(MER) ⁽²⁾	7.05%	3.82%	2.94%	2.38%	2.19%
Trading expense ratio ⁽³⁾	0.44%	0.01%	0.03%	0.08%	0.13%
Portfolio turnover rate ⁽⁴⁾	88.39%	0.00%	0.48%	1.95%	1.72%
Net asset value per share (Pricing NAV)(\$)	7.20	7.39	6.40	10.16	10.27

SERIES F	2010
Total Net asset value (GAAP NAV) (\$) (000's) ⁽¹⁾	19
Number of shares outstanding ⁽¹⁾	2,632
Management expense ratio(MER) ⁽²⁾	8.18%
Trading expense ratio ⁽³⁾	0.44%
Portfolio turnover rate ⁽⁴⁾	88.39%
Net asset value per share (Pricing NAV)(\$)	7.20

- (1) This information is provided as at December 31 for 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 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 Advisors 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. 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.

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 judgment 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
8. Proxy Voting
9. Fundamental Changes to a Fund
10. Matters requiring Shareholder Approval
11. Amending the Constating and/or Offering Documents of a Fund
12. 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 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, the Fund pays the Manager a fee equal to 0.5 percent per annum of the net value of the Fund, calculated and paid monthly in arrears. HST is paid on all management fees. Effective June 22, 2010 upon shareholder approval the management fee rate was changed to 1.25 percent per annum of the net value of their respective Series.

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 percent of the Fund's net asset value. Effective July 1st, 2010, the beginning of new quarter, the Fund will start paying a trailer fee of 1.0 percent based on the shareholder approval obtained on June 22, 2010.

The Fund paid the following amounts to the Manager for the year ended December 31, 2010 and 2009:

	2010		2009	
Management Fees	23,541	56.4%	12,891	51.4%
Service Fees Paid to Dealers	18,219	43.6%	12,166	48.6%
	<u>\$ 41,760</u>	<u>100.0%</u>	<u>\$ 25,057</u>	<u>100.0%</u>

Summary of Investment Portfolio

As at December 31, 2010

Sector Mix	% of net assets
Long Positions:	
Oil & Gas	28.9%
Financials	24.3%
Technology	12.9%
Telecommunications	8.6%
Consumer Services	4.3%
Health Care	2.9%
Utilities	2.4%
Consumer Goods	0.9%
<i>Total Long Positions</i>	85.2%
Short Positions:	
Financials	-0.2%
Technology	-0.5%
Basic Materials	-6.8%
<i>Total Short Positions</i>	-7.5%
Total Investments	77.7%
Cash and cash equivalents*	40.2%
Other net assets	-17.9%
	100.0%

* Cash and cash equivalents include cash received from securities sold short.

Summary of Investment Portfolio (continued)

Top 25 Positions	% of net assets
Long Positions:	
Micron Tech Inc	6.5%
Bank of Montreal	6.3%
Toronto Dominion Bank	6.1%
Royal Bank of Canada	6.0%
Crescent Point Energy Corp.	4.8%
Canadian Oil Sands Trust	4.7%
Western Digital Corp	4.6%
Liquor Stores Income Fund Trust	4.3%
Arc Energy Trust	4.2%
AltaGas Ltd.	4.2%
BCE Inc.	3.4%
Bonavista Energy Trust	3.2%
Telus Corp.	3.1%
Peyto Energy Trust	3.0%
Enerplus Resources Fund Trust	2.7%
Northland Power Income Fund Trust	2.4%
Rogers Communications Inc.	2.1%
Transcanada Corp.	2.1%
Eli Lilly & Co	1.9%
Riocan Real Estate Investment Trust	1.9%
Allied Properties Real Estate Invest Trust	1.8%
E. I. Du Pont De Nemours & Company	1.8%
Innvest REIT 6% Series E Debenture	1.2%
H&R Real Estate Investmenet Trust	1.0%
Short Positions:	
Teck Resources Ltd.	-6.8%
Total Net Asset Value	\$ 3,650,774

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.

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 Dividend and Income Fund

We have audited the accompanying financial statements of Creststreet Dividend and Income 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 Dividend and Income 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 ends under the "P", extending across the width of the signature.

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

Statements of Net Assets

As at December 31,	2010		2009	
Assets				
Investments at market value	\$	3,099,347	\$	2,051,470
Cash and cash equivalents		1,474,763		196,577
Interest receivable		967		-
Dividends receivable		13,385		-
Other accounts receivable		5,114		5,114
		<u>4,593,576</u>		<u>2,253,161</u>
Liabilities				
Securities sold short at market value		247,240		-
Options at fair value		28,129		-
Due to broker		579,146		-
Distributions Payable		17,264		-
Accounts payable and accrued liabilities		71,023		23,335
		<u>942,802</u>		<u>23,335</u>
Net assets - GAAP NAV (note 2)	\$	3,650,774	\$	2,229,826
Adjustment from bid market prices to last traded market prices		2,995		800
Net asset value- Pricing NAV (note 2)	\$	3,653,769	\$	2,230,626
Series A				
Net assets- GAAP NAV (note 2)	\$	3,631,842	\$	2,229,826
Adjustment from bid market prices to last traded market prices		2,980		800
Net asset value - Pricing NAV (note 2)	\$	<u>3,634,822</u>	\$	<u>2,230,626</u>
Shares outstanding		505,119		301,832
Net assets per share - GAAP NAV (note 2)	\$	7.19	\$	7.39
Adjustment from bid market prices to last traded market prices		0.01		0.00
Net asset value per share - Pricing NAV (note 2)	\$	<u>7.20</u>	\$	<u>7.39</u>

Statements of Net Assets (continued)

Series F

Net assets - GAAP NAV (note 2)	\$	18,932	-
Adjustment from bid market prices to last traded market prices		15	-
Net asset value - Pricing NAV (note 2)	\$	18,947	-
Shares outstanding		2,632	-
Net assets per share - GAAP NAV (note 2)	\$	7.19	-
Adjustment from bid market prices to last traded market prices		0.01	-
Net asset value per share - Pricing NAV (note 2)	\$	7.20	-

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
Investment Income		
Dividend revenue	\$ 88,586	\$ 54,262
Interest revenue	1,397	3,475
	<u>89,983</u>	<u>57,737</u>
Expenses		
Management fees (note 3)	23,541	12,891
Servicing fees	18,219	12,166
Securityholder reporting costs	12,956	6,750
Audit fees	10,955	3,500
Custodial fees	9,563	1,750
Independent Review Committee fees	3,677	2,812
Legal and filing fees	29,260	5,615
Operating expenses	54,758	48,397
Capital tax	1,896	-
Dividends paid short	1,200	-
	<u>166,025</u>	<u>93,881</u>
Loss from investment operations	<u>(76,042)</u>	<u>(36,144)</u>
Net realized loss on sale of investments	(219,970)	-
Net realized gain on options	69,185	-
Change in unrealized appreciation of investments	293,183	387,070
Change in unrealized depreciation of options	4,203	-
Transaction costs (note 2)	(10,436)	(300)
Net realized and unrealized gain on investments	<u>136,165</u>	<u>386,770</u>
Increase in net assets from operations	<u>\$ 60,123</u>	<u>\$ 350,626</u>
<hr/>		
Increase in net assets from operations, Series A	\$ 59,892	\$ 350,626
Increase in net assets from operations per share, Series A	<u>0.18</u>	<u>0.96</u>
<hr/>		
Increase in net assets from operations, Series F	\$ 231	-
Increase in net assets from operations per share, Series F	<u>0.09</u>	<u>-</u>

See accompanying notes to financial statements

Statements of Changes in Net Assets

For the years ended December 31	2010	2009
Net assets at the beginning of year	\$ 2,229,826	\$ 2,785,300
Increase in net assets from operations	60,123	350,626
Dividends to shareholders:		
Capital gain dividend (note 4)	(80,689)	-
Capital transactions:		
Proceeds from the issue of shares	2,057,194	17,740
Shares issued on reinvestment of dividends	60,786	-
Amounts paid on redemption of shares	(676,466)	(923,840)
Net assets at the end of year - GAAP NAV (note 2)	\$ 3,650,774	\$ 2,229,826
Adjustment from bid market prices to last traded market prices	2,995	800
Net asset value at the end of year - Pricing NAV (note 2)	\$ 3,653,769	\$ 2,230,626

Series A

Net assets at the beginning of year, Series A	\$ 2,229,826	\$ 2,785,300
Increase in net assets from operations, Series A	59,892	350,626
Dividends to shareholders:		
Capital gain dividend (note 4)	(80,422)	-
Capital transactions:		
Proceeds from the issue of shares	2,038,404	17,740
Shares issued on reinvestment of dividends	60,608	-
Amounts paid on redemption of shares	(676,466)	(923,840)
Net assets at the end of year - GAAP NAV, Series A (note 2)	\$ 3,631,842	\$ 2,229,826
Adjustment from bid market prices to last traded market prices	2,980	800
Net asset value at the end of year - Pricing NAV, Series A (note 2)	\$ 3,634,822	\$ 2,230,626

Series F

Net assets at the beginning of year, Series F	\$ -	\$ -
Increase in net assets from operations, Series F	231	-
Dividends to shareholders:		
Capital gain dividend (note 4)	(267)	-
Capital transactions:		
Proceeds from the issue of shares	18,790	-
Shares issued on reinvestment of dividends	178	-
Amounts paid on redemption of shares	-	-
Net assets at the end of year - GAAP NAV, Series F (note 2)	\$ 18,932	\$ -
Adjustment from bid market prices to last traded market prices	15	-
Net asset value at the end of year - Pricing NAV, Series F (note 2)	\$ 18,947	\$ -

See accompanying notes to financial statements

Statement of Investment Portfolio

As at December 31, 2010

Issuer	Number of Securities	Type of Security	Cost (Proceeds)	Fair Value
Equities				
Investment in securities held in long positions				
Micron Technology Inc.	30,000	Common shares	\$ 236,337	\$ 239,072
Bank of Montreal	4,000	Common shares	229,000	229,760
The Toronto-Dominion Bank	3,000	Common shares	221,790	222,300
Royal Bank of Canada	4,200	Common shares	234,081	219,324
Crescent Point Energy Corp.	4,000	Common shares	149,357	176,760
Canadian Oil Sands Trust	6,500	Income Trusts	165,709	171,925
Western Digital Corp.	5,000	Common shares	177,405	168,424
Liquor Stores Income Fund	10,300	Income Trusts	156,782	156,354
ARC Energy Trust	6,000	Income Trusts	115,626	152,460
AltaGas Ltd.	7,000	Common shares	137,100	151,900
BCE Inc.	3,500	Common shares	121,100	123,690
Bonavista Energy Trust	4,000	Income Trusts	92,852	115,200
TELUS Corp.	2,500	Common shares	114,600	113,700
Peyto Energy Trust	6,000	Income Trusts	96,937	110,940
Enerplus Resources Fund	3,200	Income Trusts	74,236	98,144
Northland Power Income Fund	5,600	Income Trusts	77,480	87,696
Rogers Communications Inc.	2,200	Class B common shares	80,498	75,922
TransCanada Corp.	2,000	Common shares	74,773	75,880
Eli Lilly & Co.	2,000	Common shares	72,146	69,595
RioCan Real Estate Investment Trust	3,100	Income Trusts	59,776	68,045
Allied Properties Real Estate Investment Trust	3,000	Income Trusts	62,600	64,620
El Du Pont de Nemours & Co.	1,300	Common shares	47,175	64,445
InnVest Real Estate Investment Trust	42,000	Debenture Units	42,000	42,109
H&R Real Estate Investment Trust	1,800	Income Trusts	30,698	34,974
Pfizer Inc.	2,000	Common shares	30,206	34,798
Kraft Foods Inc.	1,000	Common shares	29,814	31,310
			<u>2,930,078</u>	<u>3,099,347</u>
Investment in securities held in short positions				
Teck Resources Ltd., Class B	(4,000)	Common shares	(204,211)	(247,240)
Call Options				
The Toronto-Dominion Bank January 2011 @ 74.00 CAD	CAD (30)	Options	(2,190)	(2,310)
BCE Inc. January 2011 @ 36.00 CAD	CAD (35)	Options	(1,750)	(735)
TELUS Corp. January 2011 @46.00 CAD	CAD (25)	Options	(1,600)	(1,500)
Western Digital Corp. January 2011 @ 35.00 USD	USD (50)	Options	(3,080)	(3,627)
Bank of Montreal January 2011 @ 58.00 CAD	CAD (40)	Options	(2,280)	(2,600)
Micron Technology Inc. February 2011 @ 8.00 USD	USD (300)	Options	(12,818)	(15,501)
Put Options				
Micron Technology Inc. January 2011 @ 6.00 USD	USD (300)	Options	(5,962)	(596)
Teck Resources Ltd. January 2011 @ 55.00 CAD	CAD (20)	Options	(2,340)	(800)
The Toronto-Dominion Bank January 2011 @ 72.00 CAD	CAD (10)	Options	(830)	(460)
			<u>(32,850)</u>	<u>(28,129)</u>
Transaction costs (note 2)			(2,830)	
Investments at fair value			\$ 2,690,187	\$ 2,823,978

See accompanying notes to financial statements

Notes to Financial Statements

For the years ended December 31, 2010 and 2009

1. Creststreet Mutual Funds Limited

Creststreet Dividend and Income Fund (formerly, Creststreet Managed Equity Index Fund) (the “Fund”), along with Creststreet Resource 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, February 10, 2006, January 29, 2007 and October 24, 2007, January 18, 2008, February 26, 2008, January 29, 2009 and November 6, 2009. At a special meeting of shareholders held on June 22, 2010, shareholders approved the proposed changes to the investment objectives of the Creststreet Managed Equity Index Fund to focus on investing in dividend and income securities and to change the fees charged to the Fund by the Manager. In line with its new investment objective the Fund was renamed from Creststreet Managed Equity Index Fund to Creststreet Dividend and Income Fund.

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 as at December 31, 2010, and the results of operations and the changes in net assets for the years 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 (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 (“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.

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 the 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 units (“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 Statement of Net Assets.

(b) Cash and cash equivalents

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

(c) Other assets and liabilities

Interest receivable, dividend receivable and other amounts receivable are designated as loans and receivables and are recorded at cost or amortized cost. Similarly, due to broker, distribution payables and accounts payable and liabilities are designated as other financial 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 costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as “Transaction Costs” in the Statements of Operations.

(e) **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 ex-dividend 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 fee

The Manager provides investment and administrative services to the Fund. In consideration for such services the Manager receives a fee equal to 0.5 percent per annum of the net asset value of the Fund, calculated and payable monthly in arrears. Effective June 22, 2010, upon shareholders approval, the Fund started to pay management fees of 1.25 percent per annum of the net value of their respective Series. For the year ended December 31, 2010, the management fees amounted to \$23,541 (2009 - \$12,891). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

4. Dividends Paid to Shareholders

During 2010, the Fund declared capital gains dividends totaling \$80,689 or \$0.204 per share (2009 - \$nil) to the Fund's shareholders of record. For the year ended December 31, 2010, \$60,786 was reinvested into the Fund (2009 - \$nil).

5. Financial Instrument Risk

The Fund's objective is to provide a high level of stable investment returns through a combination of interest, dividends and capital gains while emphasizing capital preservation. The Fund invests in a diversified portfolio of equity and fixed income securities of primarily Canadian issuers which will include income trusts including one or more of business income trusts, convertible debenture of trusts, oil and gas trusts and real estate investment trusts. The Fund may invest in foreign securities up to a maximum of 50% of the Fund's NAV. The Fund may invest its cash balances in a short-term money market fund to maximize its yield on idle cash. The Fund's use of financial instruments gives rise to a number of risk factors.

Market Risk

Market risk is simply 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 the 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 would be higher or lower as detailed below:

Currency	Investments	Cash & Cash Equivalents	Total	Impact on the NAV	Impact as a % of the NAV
US dollars	\$ 607,644	\$ 12,525	\$ 620,169	\$ 31,008	0.85%

As at December 31, 2009, the Fund did not hold any foreign investments or currency.

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). As of December 31, 2010 the Fund held only 1.15% (2009 – Nil) of its net assets in debt or fixed income securities. Consequently, a 1% change in the interest rate will not materially affect the Fund.

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. Since the Fund's portfolio is fully diversified and is exposed only to risks that affect these markets as a whole. As at December 31, 2010 and 2009 assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the net assets and the net assets per unit of the Fund may have been \$ 116,137 and 4.11 percent higher or lower, respectively (December 31, 2009 - \$96,514 and 4.70 percent respectively). 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 returns 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 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 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 periods.

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 is 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
Assets				
Equities	\$ 1,996,880	\$ -	\$ -	\$ 1,996,880
Trust Units	1,060,358	-	-	1,060,358
Bonds	-	42,109	-	42,109
Total Assets	3,057,238	42,109	-	3,099,347
Liabilities				
Equities	(247,240)	-	-	(247,240)
Options	(28,129)	-	-	(28,129)
Total Liabilities	(275,369)	-	-	(275,369)
Total	\$ 2,781,869	\$ 42,109	\$ -	\$ 2,823,978

As at December 31, 2009:

	Level 1	Level 2	Level 3	Total
Index units	\$ 2,051,470	\$ -	\$ -	\$ 2,051,470
Total	\$ 2,051,470	\$ -	\$ -	\$ 2,051,470

7. 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 assets 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.

8. 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

Investment Advisor & Investment Fund Manager

Creststreet Asset Management Limited
Toronto, Ontario

Clearing and Settlement Services

FundSERV Inc.

Fund Symbols

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

Auditors

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Toronto, Ontario

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