

# Dividend & Income Fund<sup>(1)</sup>

July 2010 Newsletter

## Net Asset Value Per Share July 31, 2010<sup>(3)</sup>

Series A	-	\$6.8807
Series B	-	\$TBA
Series F	-	\$TBA

## Fund Description<sup>(1)</sup>

The Creststreet Dividend & Income Fund's (the "Fund" or "CDIF") objective is to provide a high level of stable investment returns through a combination of interest, dividend, and capital gains while emphasizing capital preservation. The Fund will invest 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. At a special meeting of shareholders held on June 22, 2010, shareholders of the Creststreet Managed Equity Index Fund approved proposed changes to the investment objectives 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 objectives the Fund was subsequently renamed.

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

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

<u>1 month</u>	<u>3 month</u>	<u>6 month</u>	<u>1 year</u>	<u>3 years</u>	<u>5 years</u>	<u>Since inception</u>
1.15%	-7.77%	-1.24%	-1.94%	-8.75%	-0.25%	1.27%

### Distributions<sup>(3)</sup>

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2010	-	-	-	-	-	-	\$ 0.034					

- (1) Shareholders of Creststreet Managed Equity Index Fund ("CMEIF") approved changes to its objectives, strategies and fees on June 22, 2010 and subsequently changed its name to reflect the new mandate.  
 (2) Inception date of the Fund is December 31, 2004. The indicated rates of return are historical annual compound total returns includes the historical performance of the CMEIF for the period of December 31, 2004 to June 23, 2010, and do not take into account sales, redemptions, distributions or operational charges, or income taxes payable by any security holder that would have reduced returns. Performance is calculated net of fees. The performance and other statistics presented in this document may not be indicative of the performance or statistics of the specific series of shares held by a particular investor.  
 (3) Net asset values are shown ex-distribution, which occur monthly at month-end commencing in July 2010.

## Lead Portfolio Manager



**William Shaw, CA, MBA, CFP**  
Senior Vice President & Portfolio Manager

## Top 5 Holdings \*long positions only

- Calloway Real Estate Investment Trust
- Liquor Stores Income Fund
- Manitoba Telecom Service Inc.
- Northland Power Income Fund
- Payto Energy Trust

## Fund Details

Type	► Dividend & Income
Sector	► Canadian Equity & Fixed Income
Inception Date	► December 31, 2004
RRSP/TFSA eligible	► Yes
Distributions	► Monthly & Annually

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	CAM300	FE 0-5%	1.25%	none	1.00%	2% within 90 days of purchase
B	CAM301	FE 0-5%	0.75%	2/20 over Custom Index Blend	1.00%	2% within 90 days of purchase
F	CAM302	No Load	1.25%	none	0.00%	2% within 90 days of purchase

## Performance. Service. Integrity.



## Performance & Market Commentary

During the past month, the Creststreet Dividend & Income Fund has become fully invested under its new mandate and paid its first monthly distribution. The Fund returned 1.15% for July. The initial yield has been set at approximately six percent and we are looking forward to continuing to earn it for our shareholders. The Fund currently has \$1.5 million of assets under management and the small size of the Fund allows the Fund's manager to take advantage of opportunities and implement them in a very timely manner. As we have come out of the past recession, many high quality blue chip companies are trading very cheaply and this is reflected in their dividend yields. For example, the average dividend on the Canadian Banks currently stands at 4.0%. It has only been at these levels a few times in my career and if you purchased the banks at these levels, you made lots of money. The Fund is invested using a bottom up value approach and consequently it does not have a target asset mix. The Fund's current asset mix is heavily weighted towards Canadian income producing Equities at 82.0%, because of the attractive dividend yields. The Fund also has US Equities 8.9%, Fixed Income 2.3% and cash of 6.8%. The Fund's cash position will be drawn down as new investment opportunities arise over the next month.

## Fund Strategy

We expect the Canadian economy to continue to grow at around 2% per annum this year and that the Bank of Canada will keep interest rates low. The continuing uncertainty and fluctuations in the North American equity markets will provide excellent entry points for many stocks which appear on my fundamental value screens. One example of a stock in which we built an initial position and then participated in a secondary issue is Calloway REIT. Calloway is a "new format retail" REIT which owns 127 properties and is sometimes known as the Walmart REIT due to the fact that Walmart is its largest tenant and represents about 26% of revenues. Calloway is well managed and its relationship with Smart Centres has about \$1 Billion in potential acquisitions in its pipeline. The REIT has a distribution of approximately 7% and I have a target price of \$22.00 on it.

Given our positive outlook on the economy, the Fund will continue to be fully invested.

**Use of Benchmarks** - The Dividend & Income Benchmark is comprised of equal weightings in each of the S&P/TSX Income Trust Index and the DEX Universe Bond Index., which are comprised of shares of income trusts and/or investment grade bonds. They are used as a benchmark to show how the Fund is performing in relation to the Canadian dividend and income sectors on a relative basis. The S&P/TSX Income Trust Index covers approximately 95% of the Canadian-based TSX-listed income trusts and the DEX Universe Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market. Prior to June 23, 2010 the benchmark was the S&P/TSX Composite Index and the S&P Global 1200 Index (C\$) to better reflect the Fund's prior equity index focus. The S&P Global 1200 Index is comprised of several international equity indices and is designed to track the performance of international equity markets. The S&P/TSX Composite Index covers approximately 95% of the Canadian-based TSX-listed companies and is designed to track the performance of the Canadian equities market as a whole. The S&P Global 1200 Index is comprised of several international equity indices and is designed to track the performance of international equity markets.

**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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