



# Creststreet Energy Opportunities Fund

July 2009 Newsletter

## Net Asset Value Per Share

July 31, 2009:

**Series A: \$10.5127**  
**Series F: \$10.6019**  
**Series 2009: \$10.5127**

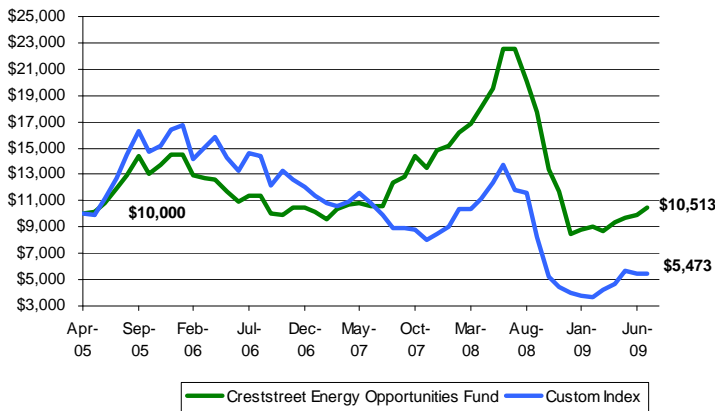
## Fund Description

On September 24, 2008, Creststreet Energy Hedge Fund LP ("CEHFLP") was rolled into Creststreet Energy Opportunities Fund (The "Fund" or "CEO"), which has the identical investment mandate and strategies as CEHFLP. The Fund seeks to provide shareholders with long-term capital growth by employing fundamental securities selection by taking both long and short investment positions in equity, debt and derivative securities and through strategic trading. The Fund's portfolio will consist primarily of securities of issuers engaged in the global, albeit primarily North American, energy sector.

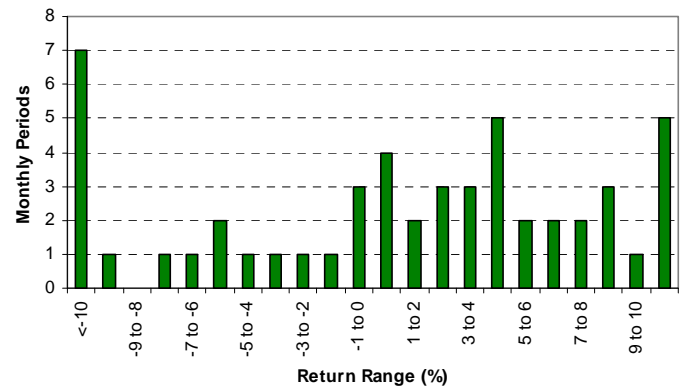
## Historical Performance <sup>(1)(2)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005					1.3%	6.6%	10.3%	8.4%	11.7%	-9.3%	4.8%	5.4%	44.5%
2006	0.4%	-10.5%	-2.5%	-0.6%	-7.2%	-6.9%	5.0%	-0.8%	-11.5%	-0.5%	4.9%	0.2%	-27.5%
2007	-3.4%	-5.1%	8.1%	3.0%	1.0%	-1.9%	0.4%	16.4%	3.9%	11.4%	-6.0%	9.6%	41.2%
2008	2.9%	6.0%	4.2%	7.4%	8.3%	15.3%	0.2%	-11.0%	-12.0%	-24.4%	-12.7%	-27.6%	-42.8%
2009	4.7%	2.5%	-4.1%	7.7%	3.8%	2.0%	5.8%						24.3%

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



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



<sup>(1)</sup> The indicated historical performance and rate of return of the Creststreet Energy Opportunities Fund (the "Fund"), includes the historical performance of its predecessor fund, the Creststreet Energy Hedge Fund L.P. ("CEHFLP") for the period of May 5, 2005 to Sept. 24, 2008. CEHFLP, which has the identical investment mandate and strategies as the Fund, was rolled into and established the Fund on September 24, 2008. 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. <sup>(2)</sup> See "Use of Benchmarks" on page 2.

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

	Creststreet CEOF	Creststreet Custom Index	S&P/TSX Energy Index	S&P/TSX Composite Index
Compounded Annual Return (since inception)	1.2%	-13.2%	4.0%	3.4%
1 Year Return	-53.5%	-53.9%	-30.8%	-20.6%
Since Inception (simple return)	5.1%	-45.3%	18.1%	15.1%
Standard Deviation	8.8%	11.2%	8.4%	5.1%
R-Squared		0.45	0.35	0.31
Correlation		0.67	0.59	0.55
Beta		0.53	0.62	0.96
Monthly Alpha		0.8%	0.1%	0.1%
Largest Month Gain	16.4%	19.9%	16.7%	11.2%
Largest Month Loss	-27.6%	-36.6%	-21.4%	-16.9%

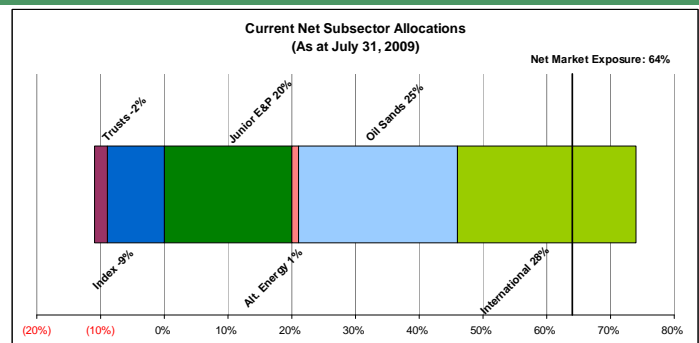
## Top Holdings as at July 31, 2009 <sup>long positions only</sup>

- Athabasca Oil Sands Corp.
- Advantage Oil & Gas Ltd.
- Verenex Energy Inc.
- TransGlobe Energy Corporation
- Bankers Petroleum Ltd.

## Terms

Fund AUM	\$15.4 M	Minimum Initial Subscription	\$ 25,000
Performance Fee	20% of the increase in NAV of the Shares in each month	Year End	December 31
Management Fee	2%	Redemption	Monthly with 15 days notice
Administrator	RBC Dexia Investor Services	Contributions	Monthly
Lock Up	None	Auditors	KPMG LLP
Early Redemption Fees	3% in the first 6 months, and 1.5% in the subsequent 7th through 18th month	Prime Broker	Scotia Capital Inc.

## Sub-Sector Allocation as at July 31, 2009



## Fund Commentary

Creststreet Energy Opportunities Fund (the "Fund") was up 5.8 percent for the month of July 2009 compared to the Creststreet Custom Index, which was down 0.7 percent for the month.

## Outlook

After declining for the first two weeks of July, North American equity markets rebounded strongly during the second half of the month, leading to significant gains of 7.4% for the S&P, 8.6% for the DJIA, and 4.0% for the TSX. This latest upswing has been fuelled by several large-cap companies in the US delivering better than expected earnings (earnings "beats") and economic data points that indicate that the rate of contraction has continued to soften, supporting a widely held thesis that US GDP growth will turn positive in Q3. While understanding that a GDP up-tick in the current quarter remains probable due to a potential inventory rebuild and stronger federal government spending, we continue to be cautious on the medium and long-term prospects for economic growth and as a consequence on the potential for sustainable broader equity market appreciation. Our view on the equity markets is driven by two pieces of fundamental analysis. First, earnings per share will be reduced in the medium to long-term by corporate deleveraging and a likely increase to corporate tax rates that will be necessary to help reduce the US federal deficit. It is also important to keep in mind that the recent earnings "beats" were often on very conservative and downwardly revised estimates. Many of the "beats" resulted in year-over-year profitability comparisons being down in the order of 20-50%. Furthermore, the upside surprise to the suppressed earnings estimates was primarily due to cost-cutting measures and employment reductions, not revenue growth. In fact, several of the "beats" were accompanied by revenue estimate misses, signaling economic weakness and raising doubt over the long-term sustainability of the earnings numbers. Second, we are concerned about the state of the American consumer, which has been responsible for 70% of US GDP and 80% of US GDP growth over the past decade. The consumer is facing a contracting credit market and continues to experience substantial job losses after having undergone a personal wealth shock as a result of the housing and equity market crashes. These factors helped cause Personal Consumption Expenditures to contract at an annualized rate of -1.3% in June and remain as a significant drag on GDP growth for the entire second quarter. It will be difficult for corporate profits to grow if this former engine of economic growth remains weak. China and other emerging countries are backfilling the hole left by a diminished American consumer by providing cheap credit, thus far an effective mechanism but not sustainable in the longer-term.

## Commodities Review

NYMEX crude oil closed the month of July at US\$69.45, a decline of 0.6 percent month-over-month. The price of oil remains strong as the market continues to look past the current supply overhang in the form of increased OPEC spare capacity and record storage levels to a period of renewed tightness in supply.

NYMEX natural gas prices continued to remain soft closing the month at US\$3.65 per million British thermal units (mmbtu), down 4.7% from the previous month. The continued weakness was largely the result of demand declines in the industrial and power generation sectors combined with record levels of supply as production has yet to fall significantly in response to the rapid decline in the rig count. We expect soft natural gas prices to persist for most of the next year.

## Fund Performance and Strategy

During the month of July, the Fund maintained its exposure to a number of junior and intermediate oil-weighted names with significant growth prospects both domestically and internationally. With the rapid rise in crude oil from its lows earlier in the year, we have seen renewed enthusiasm from the markets with respect to oil producers and we believe that funds will continue to flow into the best companies driving valuations back to their historic norms. At the same time, we remain bearish on natural gas in the near-term and believe that the over-leveraged, high cost producers will struggle over the coming months, particularly with the recent moves in the Canadian dollar. As such, we remain cautious with respect to investing in natural gas producers and have limited our exposure to those names with the lowest cost projects that will generate material growth over time while maintaining short positions in those companies with high cost structures and too much financial leverage.

The Fund also continues to hold a number of private investments. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. In accordance with its private investment valuation policy, the Fund marks these investments to market based on third party transactions. Recently we have seen increased activity in the market for these securities as well as a corresponding up-tick in valuations. However, we continue to believe that the net realizable value of these investments could be substantially higher as oil prices recover and recommend that investors retain their investment in the Fund at these levels.

**Use of Benchmarks:** The Creststreet Custom Index is comprised of 50 widely-followed conventional North American listed energy exploration and development companies. The Creststreet Custom Index is used to provide investors with a relevant benchmark to the Fund. The Index is reset to an equal-value weight on a monthly basis. The S&P/TSX Capped Energy Index is comprised of shares of Canadian companies involved in exploration and/or production of energy resources and is designed to track the performance of the entire energy sector and is used as a benchmark to show how the Fund is performing in relation to the Canadian conventional energy resource sector on a relative basis. The S&P/TSX Composite Index covers approximately 95% of the Canadian-based Toronto Stock Exchange-listed companies and is designed to track the performance of the Canadian equities market as a whole and is used as a benchmark to show how the Fund is performing in relation to the broader Canadian equity 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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