



# Creststreet Energy Opportunities Fund

September 2009 Newsletter

## Net Asset Value Per Share

September 30, 2009:

**Series A: \$13.9144**  
**Series F: \$14.0056**  
**Series 2009: \$13.8646**

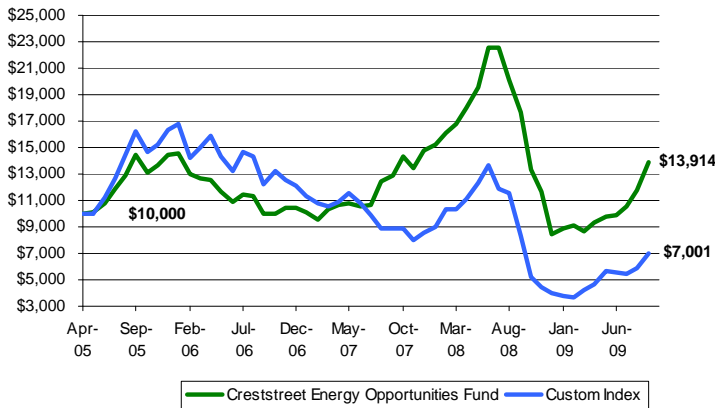
## Fund Description

Creststreet Energy Opportunities Fund (The "Fund" or "CEO" 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.

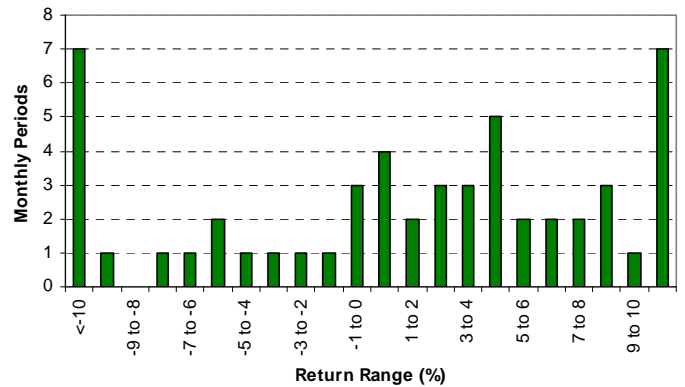
## Historical Performance <sup>(1)(2)</sup>

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%	11.6%	18.6%				64.5%

## 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 Custom CEOF	S&P/TSX Custom Index	S&P/TSX Capped Energy Index	S&P/TSX Composite Index
Compounded Annual Return (since inception)	7.8%	-7.7%	6.1%	4.5%
1 Year Return	-21.4%	-15.6%	-8.3%	-3.0%
Since Inception (simple return)	39.1%	-30.0%	29.7%	21.6%
Standard Deviation	9.1%	11.4%	8.3%	5.0%
R-Squared		0.49	0.35	0.31
Correlation		0.70	0.59	0.56
Beta		0.56	0.65	1.01
Monthly Alpha		1.1%	0.5%	0.6%
Largest Month Gain	18.6%	19.9%	16.7%	11.2%
Largest Month Loss	-27.6%	-36.6%	-21.4%	-16.9%

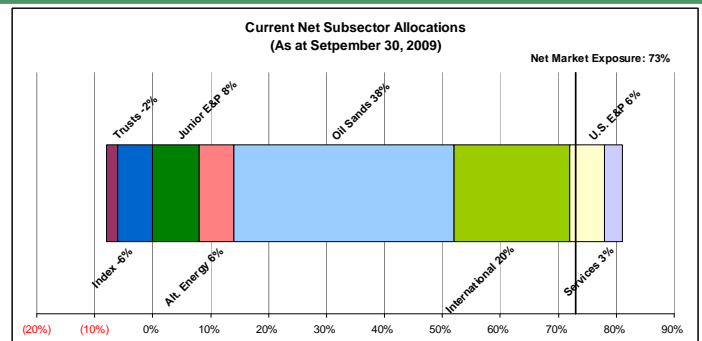
## Top Holdings as at September 30, 2009 <sup>long positions only</sup>

- Advantage Oil & Gas Ltd.
- Athabasca Oil Sands Corp.
- Gran Tierra Energy Inc.
- Petrohawk Energy Corp.
- RuggedCom Inc.

## Terms

Fund AUM	\$18.3 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 September 30, 2009



## Fund Commentary

Creststreet Energy Opportunities Fund (the "Fund") was up 18.6 percent for the month of September 2009 compared to the Creststreet Custom Index, which was up 17.8 percent for the month.

## Outlook

North American equity markets continued their advance in September, with the S&P gaining 3.6%, the Dow 2.3%, and the TSX 4.9%. These gains came on the back of mixed signs from economic data releases. The Industrial Production Index and the ISM Manufacturing PMI both showed signs of increased economic activity largely based on an inventory rebuild by producers. In contrast, New Orders of Durable Goods declined 2.4% in August, Consumer Credit showed its greatest monthly fall since 1954, and the number of monthly job losses increased, pushing the core Unemployment Rate to 9.8%.

Our thesis for several months has been that the rebound from the current recession will not be a strong V-shaped recovery, but rather will be followed by a period of prolonged stagnation with a strong likelihood that a further economic contraction occurs in the near to medium-term. Throughout the spring and summer, economic data points were released demonstrating that, firstly the rate of contraction was slowing and then that the economy was stabilizing. Such developments are necessary conditions for a strong economic rebound, but they are not sufficient ones. While the equity markets ran up significantly on this news, our view is that the economic fundamentals have not changed: the US economy is going through a period of debt deflation, one where its former engine of growth, the consumer, must deliver within an anaemic labour market.

Looking forward, we continue to believe there to be a very wide disconnect between the market's interpretation of recent economic data and the reality thereby implied. Over the coming months we expect that additional economic indicators are likely to make the prospects of stagnation or a double dip more apparent, and that there is a strong potential for the larger investor base to incorporate this economic view more prominently into its investment decision-making.

## Commodities Review

NYMEX crude oil closed the month of September at US\$70.61, an increase of 0.9 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 closed the month at US\$4.84 per million British thermal units (mmbtu), which represents a gain of 62.6% from the previous month largely as a result of the contango in the futures curve upon the roll to the November contract. Although we believe it is only a matter of time for before the supply response from falling rig counts to start to impact natural gas prices, we expect that soft natural gas prices will persist well into 2010 before natural gas storage levels rebalance and natural gas prices improve.

## Fund Performance and Strategy

During the month of September, the Fund maintained its exposure to a number of junior and intermediate oil-weighted producers 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. September also saw a number of natural-gas weighted producers move higher, which the Fund was able to take advantage of through an active trading strategy. Nevertheless, we continue to remain cautious with respect to investing in natural gas producers in the near-term, as natural gas inventory storage is now at record levels with more than four weeks left in the injection season. We have limited our exposure to those names with the lowest cost projects that will generate material growth over time while also 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. In particular, the Fund's largest position is in Athabasca Oil Sands Corporation. Athabasca recently announced that PetroChina intends on acquiring a 60% interest in its two most advanced oil sands development projects for \$1.9 billion. The value of Athabasca shares have appreciated significantly in private sale transactions that have occurred since this announcement, 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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