

2008 > Interim Report

Management's Report of Fund Performance

For the six-month period ended June 30, 2008

THIS INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE CONTAINS FINANCIAL HIGHLIGHTS AND IS PART OF THE SEMI-ANNUAL REPORT OF CRESTSTREET MANAGED 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 first half of 2008 was characterized by media headlines and news flow regarding the global credit crisis, talk of a U.S. recession, and the climb of crude oil to record levels. During the first two quarters, capital flowed into the commodity space as a safe haven from sharp volatility in broader equity markets. By the end of the period, attention had turned to the impact of soaring commodity prices and their inflationary pressures on the global economy.

During the period, the Fund benefited from income and yield support, however, business trusts underperformed the broader market due to slower growth in the North America, particularly in the U.S. Additionally, the Fund lagged the broader income trust index due to a substantially lower weighting in energy trusts. Throughout the period, the Fund continued with its strategy of investing in sound core businesses with sustainable distribution profiles. The Fund maintained the strategy of selectively rotating capital into energy investments that provided strong long-term opportunities.

At the beginning of the period, royalty trusts showed strong gains due to advancing natural gas prices, while the real estate investment trust ("REIT") sector endured weakness. With the advance in natural gas prices, the Fund moved selectively into royalty trusts and energy service trusts in anticipation of a resurgence in drilling activity in Western Canada.

As a result of the Tax Fairness Plan which will impose distribution taxes on income funds in 2011, Creststreet will be eliminating the managed income class of its mutual fund and has

communicated with investors in this regard. We recommend that investors switch to other classes of Creststreet Mutual Funds Limited, on a tax-deferred basis.

> Revenues and Expenses

The Fund earned total revenues of \$106,120 during the six months ended June 30, 2008 compared to \$126,442 during the same period last year, a decrease of about 16 percent. This decline in revenue is due mostly to a decrease in the average NAV for the period of 19 percent.

The Fund's largest expenses, management fees and service fees, are calculated on the net asset value ("NAV") of the Fund. The Fund incurred these fees on a weighted average NAV of approximately \$2.36 million during the first six months of 2008 compared to \$2.92 million in 2007. This represents a decrease of approximately 19 percent. Management fees and service fees have decreased by 20 percent and 22 percent, respectively. Other expenses incurred by the Fund were in the normal course of the Fund's operations and totalled \$13,608 during the period compared to \$20,318 during the same period last year.

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 for the six months ended June 30, 2008, the past three years, and the period from December 30 to December 31, 2004. This information is derived from the Fund's June 30, 2008 interim financial statements and the annual financial statements of preceding years.

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

	June 30, 2008	2007	2006	2005	2004
Net asset value, beginning of period	\$ 8.69	\$ 8.41	\$ -	\$ 9.93	\$ 10.00
Initial adoption of new accounting policy ⁽¹⁾	-	(0.04)	-	-	-
(Decrease) increase from operations:					
Total revenue	0.37	0.77	0.94	0.90	-
Total expenses	(0.12)	(0.30)	(0.30)	(0.29)	-
Realized gain (loss) on investments	0.07	0.43	(0.85)	(0.39)	-
Unrealized (loss) gain on investments	(0.54)	0.30	(0.39)	1.68	(0.07)
Transaction costs	(0.03)	(0.08)	-	-	-
Total (decrease) increase from operations ⁽²⁾	(0.25)	1.13	(0.60)	1.90	(0.07)
Distributions:					
From capital gains	(0.59)	(0.76)	(2.12)	(0.59)	-
Total annual distributions⁽³⁾	(0.59)	(0.76)	(2.12)	(0.59)	-
Net asset value, end of period (GAAP NAV)⁽⁴⁾	\$ 7.86	\$ 8.69	\$ 8.41	\$ -	\$ 9.93

(1) This line shows the impact of the adoption of a new accounting policy adopted on January 1, 2007. The implementation of this new policy impacts the way the Fund values the securities it holds and is discussed in greater detail under in the "Recent Developments" section of this report. The closing Pricing NAV is disclosed in the "Ratios and Supplemental Data" table that follows.

(2) Net asset value and distributions are based on the actual number of shares outstanding at the relevant time. The (decrease) increase 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 units.

(4) These calculations are prescribed by securities regulators and are not intended to be a reconciliation between the opening and closing net asset value per share.

Ratios and Supplemental Data

	June 30,					
	2008	2007	2006	2005	2004	
Net assets (000's) ⁽¹⁾	\$ 2,220	\$ 2,567	\$ 3,019	\$ 2,062	\$ 216	
Number of shares outstanding ⁽¹⁾	282,289	295,431	358,934	179,963	21,766	
Management expense ratio (MER) ⁽²⁾	3.06%	3.39%	3.19%	2.66%	0.00%	
Portfolio turnover rate ⁽³⁾	95.35%	166.52%	288.49%	55.54%	0.00%	
Trading expense ratio ⁽⁴⁾	0.66%	0.86%	1.80%	0.94%	0.34%	
Closing Pricing NAV per unit	\$ 7.92	\$ 8.76	\$ 8.41	\$ -	\$ 9.93	

(1) This information is provided as at June 30, 2008 and December 31 of 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 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.

(4) 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.

Summary of Investment Portfolio

As at June 30, 2008

Sector mix	
Description	% of net assets
Energy	51.44%
Consumer goods and services	31.66%
Industrial	16.91%
	100.01%
Cash and cash equivalents	1.01%
Other net assets	-1.02%
	100.00%

Asset mix	
Income trusts	93.77%
Convertible debentures	6.24%
	100.01%

Investment portfolio	
Company	% of net assets
Progress Energy Trust	16.37%
Badger Income Fund	10.58%
Cervus LP	8.86%
Phoenix Technology Income Fund	8.01%
Canadian Helicopters Income Fund	8.05%
Medical Facilities Corporation	7.01%
Swiss Water Decaffeinated Coffee Co. Income Fund	6.93%
Harvest Energy Trust 7.25% Convertible Debenture, September 30, 2013	6.24%
ATS Andlauer Income Fund	5.41%
Enerplus Resources Fund	5.31%
Deepwell Energy Services Trust	4.93%
Big Rock Brewery Income Trust	4.86%
Sterling Shoes Income Fund	3.97%
AutoCanada Income Fund	3.48%
	100.01%

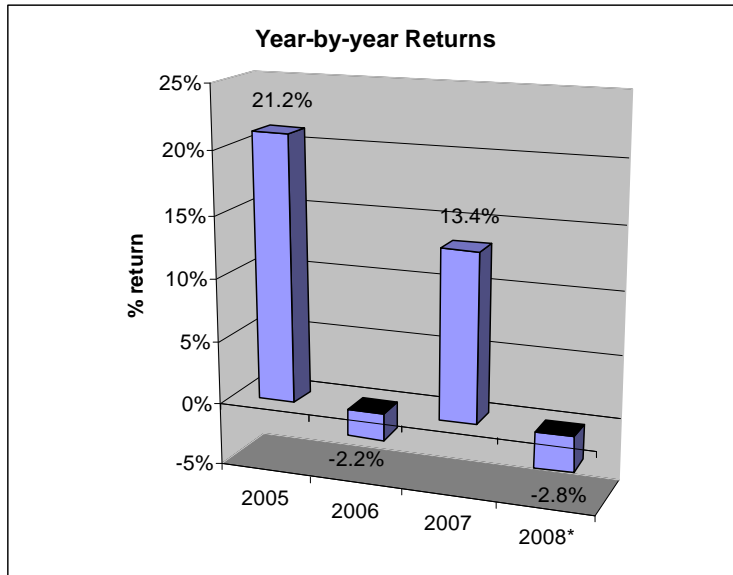
The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. The most recent annual report, semi-annual report or quarterly portfolio disclosure is available at no cost by calling 1 (866) 864-6330, by writing to us at Creststreet Mutual Funds Limited, Suite 1450, 70 University Avenue, Toronto, ON, M5J 2M4, or by visiting our website at www.creststreet.com.

Past Performance

The performance information shown assumes that any distributions made by the Fund in the periods shown were reinvested in additional shares of the Fund. The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. 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 returns for the past three years. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of the financial year.



* Total return to June 30, 2008

Investment Objectives and Strategies

The investment objectives of the Fund are to provide a stable level of income while emphasizing capital preservation through investments in equity and fixed income securities of primarily Canadian issuers which may include business income trusts, convertible debentures of trusts, oil and gas trusts, and real estate investment trusts.

The Fund employs a value-based approach to investing with an emphasis on long-term value as opposed to short-term market or momentum factors. This involves direct assessments and detailed analysis on a company's 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 earnings before interest, taxes, depreciation, and amortization (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. The Fund's approach is a buy and hold strategy. Turnover will be driven by target prices being reached for specific investments or changes in relative value versus other attractively priced investment alternatives. As such, the Fund expects portfolio turnover to be relatively low, resulting in reduced transaction costs and deferred realization of capital gains. Portfolio holdings are typically concentrated in a limited number of companies (usually 15 to 30) to maintain awareness of corporate developments and communication with each company's management.

Recent Developments

New financial statement disclosure requirements

In December 2006, the Accounting Standards Board issued CICA Handbook Section 3862, *Financial Instruments – Disclosures* (“S.3862”) and Section 3863, *Financial Instruments – Presentation* (“S.3863”). The new sections impact interim and annual financial statements for fiscal years beginning on or after October 1, 2007. The introduction of S.3863 will have no impact on the reporting of the Fund since the Fund is already in compliance with this section due to its adherence to reporting required by the Canadian Securities Administrators. Section 3862, however, will require significantly more disclosure with respect to the risks associated with the financial instruments held by the Fund. This section requires that the Fund provide specific qualitative and quantitative disclosures about the various types of risk the Fund is exposed to and also requires sensitivity analysis for some types of risk. The purpose of S.3862 is to allow financial statement users to gain a more thorough understanding of the Fund's risk exposure, their potential impacts, and how the Fund manages those risks.

Section 3855 “Financial Instruments – Recognition and Measurement” – an update

Prior to the implementation of Section 3855 in 2007, investment funds valued their publicly traded securities at the price the securities last traded. Section 3855 requires that securities traded on a public exchange be valued at their last bid price for securities held long and the last ask price for securities sold short for calculating the net asset value (“NAV”) for financial reporting purposes (“GAAP NAV”). The NAV calculated for pricing purposes for purchases and redemptions continues to use last traded market prices (“Pricing NAV”). This will generally result in a difference between Pricing NAV and GAAP NAV which is presented on the Statement of Net Assets. This change was adopted prospectively in 2007 with no restatement of prior periods but an adjustment to opening balances in 2007.

Termination of the Fund

The Fund gave notice on August 20, 2008 to holders of shares of the Fund that on October 24, 2008 all of the then outstanding shares of the Fund will be redeemed for an amount equal to the net asset value of the Fund as determined on October 24, 2008. No new purchases of, or switches into, the Managed Income Fund will be accepted.

Related Party Transactions

Management fees are paid to the Manager for the management of the Fund's day-to-day administration. 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.

Management Fees

The Manager provides investment and administrative services to the Fund. In consideration for these services, the Fund pays the Manager a fee equal to 1.1 percent per annum of the net value of the Fund, calculated and paid monthly in arrears. GST is paid on all management fees.

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 place in each of the Funds and is based on the closing balance of client accounts at the end of each calendar month. Service fees are paid quarterly by the Fund at a rate of 0.75 percent of the Fund's net asset value. The Fund paid the following amounts to the Manager for the six months ended June 30:

	2008		2007	
Management fees	\$ 13,639	62.26%	\$ 17,024	61.72%
Service fees paid to dealers	<u>8,269</u>	<u>37.74%</u>	<u>10,558</u>	<u>38.28%</u>
	<u>\$ 21,908</u>	<u>100.00%</u>	<u>\$ 27,582</u>	<u>100.00%</u>

Risk

There have been no major or significant changes that have had an impact on the overall risk level of the Fund over the past year. The investment philosophy, style, and method for the Fund remain unchanged. The Fund will maintain its investment objectives in light of the significant changes to the landscape of the income trust sector: the Fund's focus will continue to be on attractively valued trusts that carry a strong and sustainable yield. The Fund will also look more to convertible debentures of trusts in order to seek out securities with such yields. A more detailed discussion of the Fund's risk exposures can be found in the Fund's prospectus and in the notes to the 2008 semi-annual financial statements.

Statements of Net Assets

	As at June 30, 2008 (unaudited)	As at December 31, 2007
Assets:		
Investments at fair value	\$ 2,219,870	\$ 2,419,584
Cash and cash equivalents	22,488	157,760
Interest receivable	2,711	2,741
Dividends receivable	15,256	18,182
Other accounts receivable	2,093	-
	2,262,418	2,598,267
Liabilities:		
Accounts payable and accrued liabilities	11,873	15,191
Redemptions payable	15,720	-
Distribution payable	15,067	15,658
	42,660	30,849
Net assets - GAAP NAV (note 2)	\$ 2,219,758	\$ 2,567,418
Adjustment from last traded market prices to bid market prices	15,500	20,196
Net assets - Pricing NAV (note 2)	\$ 2,235,258	\$ 2,587,614
Shares outstanding	282,289	295,431
Net asset value per unit - GAAP NAV (note 2)	\$ 7.86	\$ 8.69
Adjustment from last traded market prices to bid market prices	0.06	0.07
Net asset value per unit - Pricing NAV (note 2)	\$ 7.92	\$ 8.76

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 six months ended June 30 (unaudited)	2008	2007
Investment income:		
Distribution income	\$ 98,176	\$ 105,056
Interest income	7,944	21,386
	106,120	126,442
Expenses:		
Management fees (note 3)	13,639	17,024
Service fees	8,269	10,558
Operating expenses	6,532	5,871
Legal and filing fees	2,204	7,879
Audit fees	1,500	1,281
Directors' fees	1,373	566
Shareholder reporting	1,111	2,328
Custodian fees	885	1,862
Capital tax	3	-
Dividends paid on securities sold short	-	531
	35,516	47,900
Income from investment operations	70,604	78,542
Net realized gain on sale of investments	21,064	163,370
Net change in unrealized appreciation/depreciation of investments	(155,225)	195,521
Transaction costs (note 2)	(7,654)	(19,282)
Net gain (loss) gain on investments	(141,815)	339,609
(Decrease) increase in net assets from operations	\$ (71,211)	\$ 418,151
Per share		
<i>(based on the average number of shares outstanding)</i>		
(Decrease) increase in net assets from operations per share	\$ (0.25)	\$ 1.59

See accompanying notes to financial statements.

Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)	2008		2007	
Net assets, beginning of period	\$	2,567,418	\$	3,019,345
Initial adoption of new accounting policy (note 2)		-	\$	(14,225)
Operations				
(Decrease) increase in net assets from operations		(71,211)		418,151
Distributions to shareholders:				
Distributions to shareholders (note 4)		(168,162)		(140,985)
Share capital transactions:				
Proceeds from issue of shares		82,880		35,421
Reinvested distributions		95,936		93,491
Redemptions		(287,103)		(615,994)
		(108,287)		(487,082)
(Decrease) in net assets		(347,660)		(224,141)
Net assets, end of period - GAAP NAV	\$	2,219,758	\$	2,795,204
Adjustment from bid market prices to last traded market prices		15,500		9,590
Net assets - Pricing NAV	\$	2,235,258	\$	2,804,794

See accompanying notes to financial statements.

Statement of Investment Portfolio

As at June 30, 2008

Issuer	Number of securities / par value	Type of security	Cost	Fair Value
Canadian securities				
Progress Energy Trust	25,000	Trust units	\$ 336,890	\$ 363,500
Badger Income Fund	10,000	Trust units	154,159	234,900
Cervus LP	8,000	Trust units	152,735	196,560
Canadian Helicopters Income Fund	15,000	Trust units	195,630	178,650
Phoenix Technology Income Fund	10,000	Trust units	86,415	177,700
Medical Facilities Corporation	16,000	Trust units	144,815	155,680
Swiss Water Decaffeinated Coffee Co. Income Fund	22,000	Trust units	200,906	153,780
ATS Andlauer Income Fund	12,000	Trust units	141,405	120,000
Enerplus Resources Fund	2,500	Trust units	118,865	117,950
Deepwell Energy Services Trust	20,000	Trust units	98,615	109,400
Big Rock Brewery Income Trust	9,500	Trust units	137,869	107,920
Sterling Shoes Income Fund	10,000	Trust units	140,410	88,100
AutoCanada Income Fund	14,000	Trust units	153,991	77,280
			\$ 2,062,705	\$ 2,081,420
Convertible debentures				
Harvest Energy Trust - September 30, 2013, 7.25%	\$ 15,000	Debentures	\$ 148,079	\$ 138,450
Transaction costs			(3,125)	
Total investments			\$ 2,207,659	\$ 2,219,870

See accompanying notes to financial statements.

Notes to Financial Statements

For the six month period ended June 30, 2008 and 2007

1. Creststreet Mutual Funds Limited

Creststreet Managed Income Fund (“the Fund”), along with Creststreet Resource Fund, Creststreet Managed Equity Index 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, and October 24, 2007. In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at June 30, 2008 and December 31, 2007, its investments held as at June 30, 2008, and the results of operations and the changes in net assets for the six months ended June 30, 2008 and 2007, and do not contain the financial statements of the Corporation. Because the Funds listed 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. Cash and Cash Equivalents, and Other Monetary Balances

The carrying values of cash and cash equivalents, interest receivable, dividends receivable, other accounts receivable, accounts payable and accrued liabilities, distributions payable, and redemptions payable approximate their fair value due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments

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 by the Manager at the fair value thereof determined in such manner as the Manager may from time to time determine and 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. However, the Manager's policy is to, where possible, use evidence of arm's length third party transactions in determining fair value of unlisted securities. Any change in value is recorded in “Net change in unrealized appreciation/depreciation of investments” on the statements of operations.

Prior to 2007, investment funds valued their publicly traded securities at the price the securities last traded. Canadian GAAP requires that securities traded on a public exchange be valued at their last bid price for securities held long and the last ask price for securities sold short for calculating the net asset value ("NAV") for financial reporting purposes ("GAAP NAV"). The NAV calculated for pricing purposes for purchases and redemptions continues to use last traded market prices ("Pricing NAV"). This will generally result in a difference between Pricing NAV and GAAP NAV which is presented on the Statement of Net Assets. This change was adopted prospectively in 2007 with no restatement of prior periods but an adjustment to opening balances in 2007.

c. Broker Commissions

Brokers' commissions and other transaction costs are expensed in the period incurred and are disclosed in the statements of operations.

d. 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 record date and interest income is accrued as earned.

e. Income Taxes

The Fund qualifies 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 unitholders 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.

f. Use of Estimates

The preparation of financial statements in accordance with Canadian 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.

3. Termination of the Fund

The Fund gave notice on August 20, 2008 to holders of shares of the Fund that on October 24, 2008 all of the then outstanding shares of the Fund will be redeemed for an amount equal to the net asset value of the Fund as determined on October 24, 2008. No new purchases of, or switches into, the Managed Income Fund will be accepted.

4. Management Fee and Operating Expenses

The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives a fee equal to 1.1 percent per annum of the net value of the

Fund calculated and payable monthly in arrears. For the six months ended June 30, 2008 management fees amounted to \$13,639 (2007 - \$17,024). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

The management expense ratio ("MER") is calculated based on the total management expenses of the Fund, as a percentage of the weighted average net assets of the Fund for the semi-annual period and is presented on an annualized basis. This MER is inclusive of the Goods and Services Tax ("GST") in accordance with National Instrument 81-106. The Fund's MER was 3.06 percent for the six months ended June 30, 2008 (2007 – 3.32 percent).

5. Distributions to Shareholders

On March 15, 2005, the Fund announced an initial distribution of \$0.053 per share would be paid on April 15 to shareholders of record at the close of business on March 18. Since that time, a distribution of \$0.053 per share has been paid to shareholders in each month. During January to June 30, 2008, these monthly distributions totalled \$91,772 (2007 - \$104,566). On March 7, 2008, the Fund paid an additional capital gain distribution totalling \$76,390 (2007 - \$36,419) or \$0.2704 per share (2006 - \$0.1087 per share) to shareholders of record as at February 29, 2008. For the six months ended June 30, 2008, total dividends paid to shareholders amounted to \$168,162 (2007 - \$140,985). Investors can choose to receive distributions in cash or have them reinvested in shares of the Fund. During the period, distributions of \$95,936 were reinvested into the Fund (2007 - \$93,491).

6. Financial Instrument Risk

The Fund's objective is to provide a stable level of income while emphasizing capital preservation. The Fund invests in a diversified portfolio of equity and fixed income securities of primarily Canadian issuers which may include business income trusts, convertible debentures of trusts, oil and gas trusts and real estate investment trusts. The Fund may invest in foreign securities up to a maximum of 50 percent of the Fund's NAV, although the Fund has invested exclusively in Canadian securities during the period. During the period, the Fund's portfolio was comprised almost exclusively of Canadian income trusts. Accordingly, the Fund is exposed to all of the risks associated with investments in such securities. 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 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. The Fund had not investments denominated in currencies other than the Canadian dollar as at June 30, 2008, nor at any time during the period. Therefore, the Fund is not exposed to foreign currency risk. All things being equal, there would have been no effect on the Fund's NAV as a result of an increase or decrease in the value of the Canadian dollar against other foreign currencies.

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). The Fund held one debenture as at June 30, 2008 which is 6.2% of the Fund. If the interest rate yield curve increased 5% at June 30, 2008, the NAV of the Fund may have been \$24,059 lower (\$0.09 per share or 1.1 percent). If the interest rate yield curve decreased 5% at June 30, 2008, the NAV of the Fund may have been \$31,506 higher (\$0.11 per share or 1.4 percent). The Fund invests excess cash balances in a short-term money market mutual fund and changes in interest rates would only increase or decrease future interest income and would have little, if any, impact on the Fund's NAV at June 30, 2008.

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. The Fund's Manager mitigates other price risk by managing and allocating the investment portfolio within the parameters of the Fund's investment objectives. As at June 30, 2008 and assuming all other variables were held constant, had the general price level of the equities markets been 5 percent higher or lower, the NAV of the Fund may have been \$46,070 higher or lower (\$0.16 per share or 2.2 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 return 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 does not typically invest in debt securities, thereby minimizing the Fund's exposure to credit risk. 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 in Canada affiliated with a bank with shareholders' equity of not less than \$10,000,000. The Fund's custodian, National Bank Correspondent Network, 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.

Creststreet Mutual Funds Limited

Board of Directors

Jeffrey S. Boyce

President and Chief Executive Officer
SURE Energy Inc.

Stuart P. Hensman**

Corporate Director

John Thompson*

President and Chief Executive Officer
Sirius Energy Inc.

Robert J. Toole, C.A.

Managing Director
Creststreet Capital Corporation

Officers

Robert J. Toole, C.A.

President and Chief Executive Officer

Donna Shea, C.A.

Vice-President, Finance and
Chief Financial Officer

Aaron C.B. Maybin

Vice-President

Sheryl Chiddenton

Secretary and Treasurer

*Member of the audit committee

**Chair of the audit committee

Transfer Agent and Registrar

International Financial Data Services
(Canada) Limited
Toronto, Ontario

Investment Advisor

Creststreet Asset Management Limited
Toronto, Ontario

Custodian

National Bank Correspondent Network
Toronto, Ontario

Clearing and Settlement Services

FundSERV Inc.

Fund Symbols

CAM 100, CAM 106, CAM 200,
CAM 300

Auditors

KPMG LLP
Toronto, Ontario

Registered Address

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