



# Creststreet Resource Fund

December 2008 Newsletter

## Net Asset Value Per Share

**December 31, 2008: \$2.42**

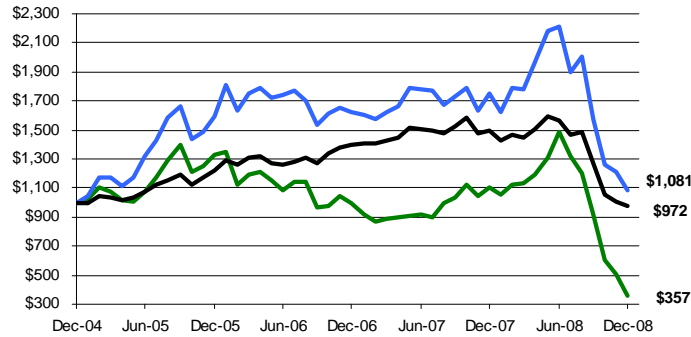
## Fund Description

The Creststreet Resource Fund (the "Fund" or "CRF") provides Canadian investors with exposure to a broad array of investments in the conventional energy market in Canada. The Fund's investment objective is to provide the potential for long-term growth of capital and to a lesser extent, the production of income. The Fund invests primarily in equity securities of Canadian resource issuers. The Fund may also invest in international securities.

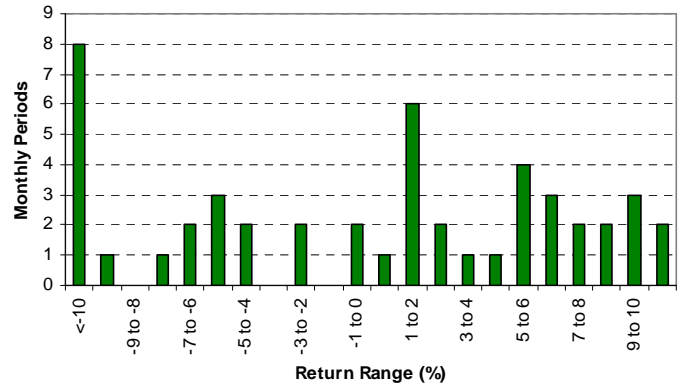
## Historical Performance <sup>(1)</sup>

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2005	3.0%	7.5%	-2.8%	-5.6%	-0.5%	5.9%	9.7%	9.7%	8.9%	-13.5%	3.6%	6.3%	33.4%
2006	1.5%	-16.8%	5.4%	2.4%	-5.0%	-6.6%	6.2%	-0.4%	-15.3%	1.4%	6.2%	-4.8%	-25.6%
2007	-7.5%	-5.2%	1.6%	1.3%	1.5%	1.5%	-2.6%	10.9%	4.2%	8.3%	-6.6%	5.4%	11.6%
2008	-5.0%	7.2%	0.6%	5.2%	9.9%	13.4%	-10.9%	-9.2%	-24.1%	-34.3%	-16.0%	-29.0%	-67.7%

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



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



<sup>(1)</sup> Inception date of the Fund is December 31, 2004. The indicated rates of return are historical annual compound total returns 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.

<sup>(2)</sup> See Use of Benchmarks on page 2.

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

	CRF	S&P/TSX Capped Energy Index	S&P/TSX Composite Index
Compounded Annual Return (since inception)	-22.7%	2.0%	-0.7%
1 Year Return	-67.7%	-38.2%	-35.0%
Standard Deviation	10.4%	8.2%	4.7%
R-Squared		0.65	0.61
Correlation		0.81	0.78
Beta		1.02	1.72
Monthly Alpha		-2.0%	-1.6%
Largest Month Gain	13.4%	13.6%	6.0%
Largest Month Loss	-34.3%	-21.4%	-16.9%

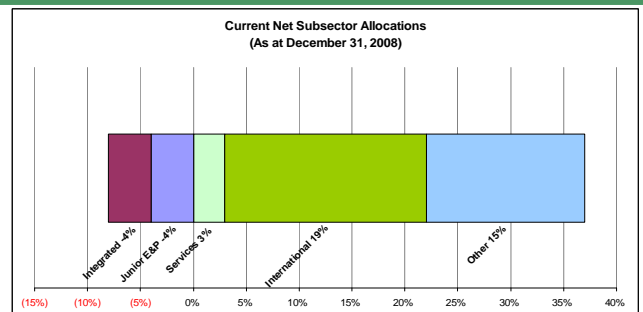
## Top Holdings as at December 31, 2008 <sup>long positions only</sup>

Verenex Energy Inc.	Pienza Petroleum Inc.
Athabasca Oil Sands Corp.	Ridgeback Exploration Ltd.
Gran Tierra Energy Inc.	
Laricina Energy Ltd.	
Xtreme Coil Drilling Corp.	

## Terms

Fund AUM	\$23.2	Minimum Initial Subscription	\$ 1,000
Performance Fee	N/A	Year End	December 31
Management Fee	2%	Redemptions and Contributions	Weekly
Administrator	RBC Dexia Investor Services	Pricing	Weekly
Type	North American Equity	Auditors	KPMG LLP
Fund Code	CAM 100	RRSP / TFSA eligible	Yes

## Sub-Sector Allocation as at December 31, 2008



## Fund Commentary

The Creststreet Resource Fund was down 29.0 percent during the month of December 2008 compared to the S&P/TSX Capped Energy Index, which was down 11.0 percent, and the S&P/TSX Composite Index, which was down 3.1 percent for the month.

### Market Volatility Falls, but Economic Weakness Remains

Market volatility fell throughout the month as the CBOE Volatility Index declined from 55.28% at the end of November to close December at 40.00%. However, economic data continued to be bearish as we saw the highest monthly loss in US payroll employment since 1974, in addition to continued weakness in retail sales and the housing market. Furthermore, we saw the fourth consecutive month of decline in US CPI, indicating that the economy is in a deflationary environment. As a consequence of continued weakness in the US housing sector, malfunctioning credit markets, and the destruction of private-sector demand for goods and services, prospects for global economic growth are weak for most of 2009. In the face of such economic weakness, governments across the globe will continue their attempts to stimulate their economies through monetary and fiscal policy, but such actions are unlikely to have their desired impact until late 2009 or early 2010.

### Weakness in Commodities Continues

During the month, NYMEX crude oil hit a low of US\$35.13 before closing the month at US\$44.60, a decline of 18.1 percent month-over-month. Economic weakness is likely to continue to depress oil prices as the demand destruction that caused the rapid declines in the price of oil in the closing months of 2008 exceeds any supply response resulting from announced OPEC production cuts. Increased geopolitical uncertainty may act to offset some fundamental weakness in the near to medium term. In the longer term, our view on oil remains that we are likely to see an upward trend in price as emerging economies continue to industrialize, leading to increased demand for the commodity. NYMEX natural gas prices declined from US\$6.51 per million British thermal units (mmbtu) to close the month at US\$5.62 per mmbtu. The weakness was largely the result of a sluggish supply response to continued demand weakness despite the fact that North America experienced colder than normal temperatures for most of the month.

### Fund Performance and Strategy

During the month we continued to reduce the overall exposure in the Fund while maintaining core positions in those names that we believe are most likely to become takeover targets. We have a number of companies in our coverage universe that trade at less than 60% of net asset value. We believe valuations in select well funded names will return to historical norms as investor risk appetite increases. In the meantime, we expect to see increased merger and acquisition activity in the space as well-capitalized companies take advantage of the current distressed environment.

Losses for the month of December can be attributed primarily to the revaluation of private investments held in the Fund. These investments, which are principally oil sands developers, have been highly successful investments for the Fund. However, in accordance with its private investment valuation policy, the Fund has now marked these investments to market based on a number of third party transactions recently made in the present distressed market conditions. We believe that the net realizable value of these investments could be substantially higher as oil prices recover over the next several years and recommend that investors retain their investment in the fund at these levels.

### Outlook

We continue to hold the view that the long-term supply/demand fundamentals of energy commodities have not changed. As poor global economic conditions drag conventional energy prices lower, demand will fall in the near-term, and we will manage the Fund accordingly to preserve capital until evidence of lower volatility is seen and fundamentals return to the market.

**Use of Benchmarks** 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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