



# Creststreet Resource Fund

September Newsletter

## Net Asset Value Per Share

September 30, 2009: **\$3.4791**

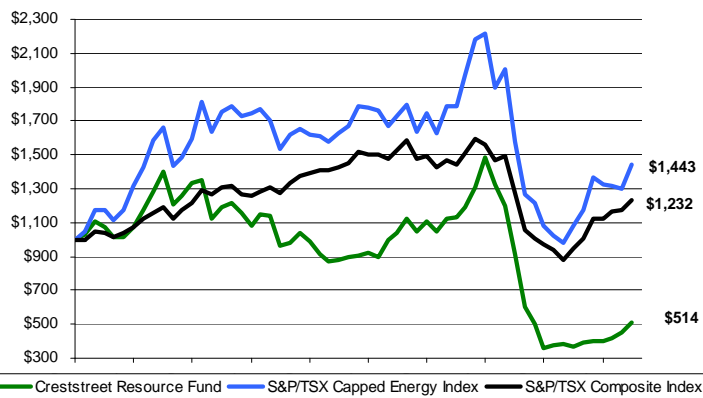
## Fund Description

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.

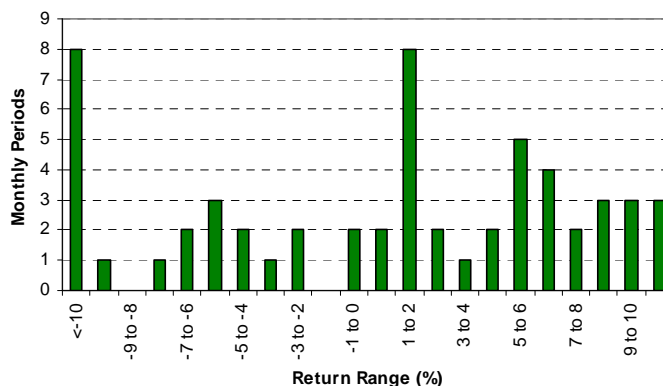
## Historical Performance <sup>(1)</sup>

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%
2009	5.4%	1.6%	-3.9%	6.3%	1.7%	0.5%	5.0%	8.4%	13.0%				43.7%

## 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 Disclaimer 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)	-13.1%	8.0%	4.5%
1 Year Return	-43.7%	-8.3%	-3.0%
Standard Deviation	9.9%	8.2%	4.9%
R-Squared		0.55	0.49
Correlation		0.74	0.70
Beta		0.89	1.41
Monthly Alpha		-1.5%	-1.3%
Largest Month Gain	13.4%	16.7%	11.2%
Largest Month Loss	-34.3%	-21.4%	-16.9%

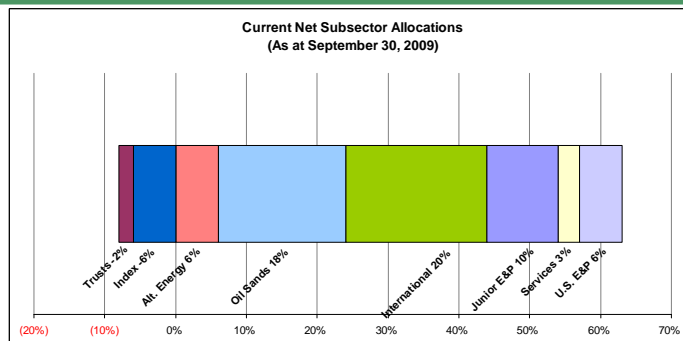
## Terms

Fund AUM	\$26.5M	Minimum Initial Subscription	\$ 1,000
Performance Fee	None	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

## 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.

## Sub-Sector Allocation as at September 30, 2009



## Fund Commentary

The Creststreet Resource Fund was up 13.0 percent during the month of September 2009 compared to the S&P/TSX Capped Energy Index, which was up 10.7 percent, and the S&P/TSX Composite Index, which up 4.8%.

## Outlook

North American equity markets continued their advance in September, with the S&P gaining 3.6%, the Dow 2.3%, and the TSX 4.8%. 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 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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Published October 8, 2009

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