

Interim Report > 2006

Interim Management Report of Fund Performance

For the six-month period ended June 30, 2006

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 US USING ONE OF THESE METHODS TO REQUEST A COPY OF THE FUND'S PROXY VOTING POLICIES, PROXY VOTING DISCLOSURE RECORD, OR QUARTERLY PORTFOLIO DISCLOSURE.

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 past two years and the six-month period ended June 30, 2006. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements.

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

	January 1 to June 30, 2006	For the years ended December 31,	
		2005	2004
Net asset value, beginning of period	\$ 11.46	\$ 9.93	\$ 10.00
Increase (decrease) from operations			
Total revenue	0.56	0.90	–
Total expenses	(0.14)	(0.29)	–
Realized gain (loss) on investments	0.20	(0.39)	–
Unrealized (loss) gain on investments	(0.39)	1.68	(0.07)
Total increase (decrease) from operations ⁽¹⁾	0.23	1.90	(0.07)
Distributions			
From income (excluding dividends)	–	–	–
From dividends	–	–	–
From capital gains	(2.20)	(0.59)	–
Return of capital	–	–	–
Total annual distributions⁽²⁾	(2.20)	(0.59)	–
Net asset value, end of period⁽³⁾	\$ 9.29	\$ 11.46	\$ 9.93

(1) Net asset value is based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations and distributions are based on the weighted average number of shares outstanding over the financial period.

(2) Distributions were paid in cash or reinvested in additional units.

(3) 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.

Interim Management Report of Fund Performance (cont'd)

> Ratios and Supplemental Data

	June 30, 2006	December 31,	
		2005	2004
Net assets (000's) ⁽¹⁾	\$ 3,598	\$ 2,062	\$ 216
Number of shares outstanding ⁽¹⁾	387,423	179,963	21,766
Management expense ratio ("MER") ⁽²⁾	2.86%	2.66%	0.00%
Portfolio turnover rate ⁽³⁾	101.48%	55.54%	0.00%
Trading expense ratio ⁽⁴⁾	1.56%	0.94%	0.34%

(1) This information is provided as at June 30, 2006 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% 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.

Results of Operations

The Canadian income trust sector has experienced a large degree of volatility in the first half of 2006 while delivering relatively flat performance overall. Heavily weighted in royalty and energy-related trusts, the broader trust sector has been impacted by the competing commodity price swings in crude oil and natural gas. Crude oil prices have appreciated approximately 21% from the beginning of the year to the end of June, while natural gas prices have declined by about 45%.

With regulatory fears concerning potential income trust taxation policies temporarily set aside late in 2005, the trust market appeared poised for a strong year in 2006. Additional support for the sector was provided by institutional demand following the second phase of income trust index inclusion in Standard & Poor's Composite Index in March and a one-time inclusion into Morgan Stanley Capital's International Index in May. However, weaker than average fund flows into the sector due to a slowing retail structured product market, as well as speculation of inflation and increasing interest rates, have curbed capital appreciation. The S&P/TSX Capped Income Trust Index increased 3.7% during the six months ended June 30, 2006, while the Fund returned 4.2%, assuming that all distributions were reinvested into shares of the Fund.

The Fund has maintained stable and consistent performance through a diversified portfolio of investments. The Manager's focus and expertise in the energy sector led the Fund to reduce the overweight position in energy trusts that was built late in 2005 as it became apparent that natural gas prices would weaken due to a warmer than expected winter and corresponding high levels of natural gas inventories. The Fund continues to primarily target larger capitalization income trusts and has increased its weighting towards western Canadian-based companies in order to benefit from the strength of Alberta's growing economy.

The Fund earned dividend revenues \$145,601 for the six-months ended June 30, 2006, compared to dividend income of \$33,467 during the same period last year. The dividends were earned on a portfolio with an average market value of \$2.5 million over the 2006 semi-annual period.

The Fund's largest expenses, management fees and service fees, are calculated on the net asset value ("NAV") of the Fund and are therefore driven by performance. For the six-month period ended June 30, 2006, the Fund incurred these fees on a weighted average NAV of approximately \$2.7 million. The weighted average NAV for the 2005 semi-annual period was approximately \$0.8 million. The other expenses incurred



by the Fund were in the normal course of the Fund's operations and totaled \$11,192 for the six-month period ended June 30, 2006, compared to \$2,862 during the same period last year. The Fund's increased expenses are due mainly to the growth in the Fund's average net asset value and number of shareholders.

Summary of Investment Portfolio

As at June 30, 2006

Description	Total % of net assets
Consumer goods and services	38.48%
Energy	24.76%
Industrial	18.09%
Cash and cash equivalents	6.75%
Real estate	4.93%
Other income trusts	4.51%
Financial services	4.21%
Other net assets	(1.73%)
	100.00%

> Top Positions

As at June 30, 2006

	Cost	Market value	% of net assets
Focus Energy Trust	\$ 174,875	\$ 189,200	5.25%
Gienow Windows & Doors Income Fund	165,794	185,502	5.15%
Lakeport Brewing Income Fund	162,320	178,710	4.97%
Pizza Pizza Royalty Income Fund	178,947	178,000	4.95%
Canadian Hotel Income Properties Real Estate Investment Trust	175,916	177,344	4.93%
Armtec Infrastructure Income Fund	177,179	174,697	4.85%
Ag Growth Income Fund	157,476	173,840	4.83%
Boston Pizza Royalties Income Fund	161,439	171,500	4.77%
Keg Royalties Income Fund	169,455	170,300	4.73%
Golf Town Income Fund	169,695	168,000	4.67%
Second Cup Royalty Income Fund	174,992	167,904	4.67%
Avenir Diversified Income Trust	197,422	162,122	4.51%
DirectCash Income Fund	153,445	151,500	4.21%
Eveready Income Fund	136,779	129,500	3.60%
Liquor Barn Income Fund	120,277	125,995	3.50%
Bonavista Energy Trust	118,800	122,500	3.40%
Gateway Casinos Income Fund	124,998	121,200	3.37%
Crescent Point Energy Trust	101,800	120,065	3.34%
TransForce Income Fund	129,006	116,955	3.25%
Bonnett's Energy Services Trust	54,617	114,180	3.17%
Cathedral Energy Services Income Trust	119,951	108,200	3.01%
Canetic Resources Trust	85,059	105,105	2.92%
Yellow Pages Income Fund	93,522	103,040	2.86%
Horizon North Logistics Inc.	2,417	2,417	0.07%
Total	\$ 3,306,181	\$ 3,417,776	94.98%
Cash and cash equivalents		242,793	6.75%
Other net assets		(62,131)	(1.73%)
Total net asset value		\$ 3,598,438	100.00%

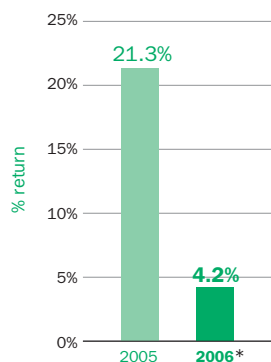
Interim Management Report of Fund Performance (cont'd)

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 period shown were reinvested in additional securities 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



This bar chart shows the Fund's annual return for 2005 and the total return for the six month period ended June 30, 2006. 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 and the six month period ended June 30, 2006.

* Total return for the six-month period ended June 30, 2006.

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 EBITDA (earnings before interest, taxes, depreciation, and amortization) 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

In July 2006, Creststreet Capital Corporation ("CCC") acquired Creststreet Holdings Limited ("CHL"), a related Creststreet company, through a common share exchange as part of an internal restructuring of the Creststreet group of companies. The Manager is a wholly-owned subsidiary of CHL. This acquisition did not and will not result in any change in directors, management personnel, or operations of the Manager. As a result of this transaction, the Fund is deemed to have had a year-end for tax purposes and will be required to pay out sufficient dividends so that the Fund will not be subject to any income tax.

Related Party Transactions

Management fees are paid to Creststreet Asset Management Limited (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% 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% of the Fund's net asset value. For the six months ended June 30, the Fund paid the following amounts to the Manager:

		2006		2005	
Management fees	\$	14,771	60.79%	\$ 4,215	59.08%
Service fees paid to dealers		9,527	39.21%	2,919	40.92%
Total fees paid to the Manager	\$	24,298	100.00%	\$ 7,134	100.00%

Risk

No major or significant changes have had an impact on the overall risk level of any investments in the Fund. The investment philosophy, style and method for the Fund remain unchanged.

Statements of Net Assets

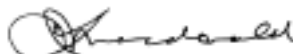
	June 30, 2006 (unaudited)	December 31, 2005 (audited)
Assets		
Investments at market value	\$ 3,417,776	\$ 2,050,741
Cash and cash equivalents	242,793	14,465
Due from broker	13,475	-
Dividends receivable	20,612	14,125
	3,694,656	2,079,331
Liabilities		
Due to broker	43,701	-
Distribution payable	19,956	9,538
Redemptions payable	20,498	-
Accounts payable and accrued liabilities	12,063	7,698
	96,218	17,236
Net assets	\$ 3,598,438	\$ 2,062,095
Shares outstanding	387,423	179,963
Net asset value per share	\$ 9.29	\$ 11.46

See accompanying notes to financial statements.

Approved by Creststreet Mutual Funds Limited



Robert J. Toole
Director



Larry J. Macdonald
Director



Statements of Operations

For the six months ended June 30 (unaudited)

	2006	2005
Investment income		
Dividend income	\$ 145,601	\$ 33,467
Interest income	1,706	781
	147,307	34,248
Expenses		
Management fees (note 3)	14,771	4,215
Service fees	9,527	2,919
Legal and filing fees	5,278	45
Operating expenses	3,229	1,749
Audit fees	1,571	250
Capital tax	1,390	–
Custodian fees	1,016	428
Shareholder reporting	657	1,094
Directors' fees	479	–
	37,918	10,700
Income from investment operations	109,389	23,548
Realized and unrealized gain (loss) on investments		
Cost of investments, beginning of period	1,837,564	–
Investments purchased during the period	3,942,766	1,667,409
	5,780,330	1,667,409
Cost of investments, end of period	3,306,181	1,606,450
Cost of investments sold	2,474,149	60,959
Proceeds of investments sold	2,527,592	56,174
Net realized gain (loss) on sale of investments	53,443	(4,785)
Net change in unrealized appreciation/depreciation of investments	(101,582)	25,455
Net (loss) gain on investments	(48,139)	20,670
Increase in net assets from operations	\$ 61,250	\$ 44,218
Per share		
(based on the average number of shares outstanding)		
Increase in net assets from operations per share	\$ 0.23	\$ 0.54

See accompanying notes to financial statements.

Statements of Changes in Net Assets

For the six months ended June 30 (unaudited)

	2006	2005
Net assets, beginning of period	\$ 2,062,095	\$ 216,239
Operations		
Increase in net assets from operations	61,250	44,218
Dividends to shareholders		
Distributions to shareholders (note 5)	(580,259)	(18,583)
Share capital transactions		
Proceeds from issue of shares	1,749,904	1,406,187
Reinvested dividends	417,203	3,337
Redemptions	(111,755)	-
	2,055,352	1,409,524
Increase in net assets	1,536,343	1,435,159
Net assets, end of period	\$ 3,598,438	\$ 1,651,398

See accompanying notes to financial statements.



Statement of Investment Portfolio

As at June 30, 2006 (unaudited)

Description	Number of securities	Type of security	Cost	Market value
Focus Energy Trust	8,000	Trust units	\$ 174,875	\$ 189,200
Gienow Windows & Doors Income Fund	25,800	Trust units	165,794	185,502
Lakeport Brewing Income Fund	11,100	Trust units	162,320	178,710
Pizza Pizza Royalty Income Fund	17,800	Trust units	178,947	178,000
Canadian Hotel Income Properties				
Real Estate Investment Trust	13,600	Trust units	175,916	177,344
Armtec Infrastructure Income Fund	9,700	Trust units	177,179	174,697
Ag Growth Income Fund	10,600	Trust units	157,476	173,840
Boston Pizza Royalties Income Fund	9,800	Trust units	161,439	171,500
Keg Royalties Income Fund	13,100	Trust units	169,455	170,300
Golf Town Income Fund	15,000	Trust units	169,695	168,000
Second Cup Royalty Income Fund	15,900	Trust units	174,992	167,904
Avenir Diversified Income Trust	20,600	Trust units	197,422	162,122
DirectCash Income Fund	10,000	Trust units	153,445	151,500
Eveready Income Fund	18,500	Trust units	136,779	129,500
Liquor Barn Income Fund	11,300	Trust units	120,277	125,995
Bonavista Energy Trust	3,500	Trust units	118,800	122,500
Gateway Casinos Income Fund	8,000	Trust units	124,998	121,200
Crescent Point Energy Trust	5,500	Trust units	101,800	120,065
TransForce Income Fund	6,900	Trust units	129,006	116,955
Bonnett's Energy Services Trust	4,400	Trust units	54,617	114,180
Cathedral Energy Services Income Trust	10,000	Trust units	119,951	108,200
Canetic Resources Trust	4,550	Trust units	85,059	105,105
Yellow Pages Income Fund	6,400	Trust units	93,522	103,040
Horizon North Logistics Inc.	1,007	Trust units	2,417	2,417
Horizon North Logistics Inc.	708	Warrants	–	–
Total investment portfolio			\$ 3,306,181	\$ 3,417,776

See accompanying notes to financial statements.

Notes to Financial Statements

For the six-month period ended June 30, 2006 and 2005 (unaudited)

1. Creststreet Mutual Funds Limited

Creststreet Managed Income Fund (“the Fund”), along with Creststreet Resource Fund and Creststreet Managed Equity Index 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 and March 29, 2005. In order to conform to investment fund disclosure regulations, these financial statements present the financial position of the Fund as at June 30, 2006 and December 31, 2005, and the results of operations and the changes in net assets for the semi-annual periods ended June 30, 2006 and 2005, 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 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, due from and to broker, dividends receivable, accounts payable and accrued liabilities, distributions payable, and redemptions payable approximate their fair values due to the relatively short periods to maturity of the instruments.

b. Valuation of Investments

Securities listed on a recognized public securities exchange are valued at their closing sale price. Securities not traded on a valuation date are valued at the average of the closing bid and ask prices. Securities for which no published market exists are valued at cost unless a different fair market value is determined by the Manager. Any change in value is recorded in “Net change in unrealized appreciation/depreciation of investments” on the statements of operations.

c. 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.

d. 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 $\frac{1}{3}$ % 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 pay out sufficient 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.



e. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make 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. 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% per annum of the net value of the Fund calculated and payable monthly in arrears. For the six months ended June 30, 2006 the management fee amounted to \$14,771 (2005 – \$4,215). 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 six-month period and is presented on an annualized basis. This MER is inclusive of the GST in accordance with National Instrument 81-102. The Fund’s MER was 2.86% for the six months ended June 30, 2006 (2005 – 2.52%).

4. Brokerage Commissions

The Fund paid brokerage commissions amounting to \$20,690 for the six months ended June 30, 2006 (2005 – \$9,883).

5. Dividends Paid 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 the first six months of 2006, these monthly distributions totaled \$82,242 (2005 – \$18,583). On March 10, 2006, the Fund paid an additional capital gain distribution totaling \$498,017 (2005 – nil) or \$2.2694 per share (2005 – nil) to shareholders of record as at March 3, 2006. Investors can choose to receive distributions in cash or have them reinvested in shares of the Fund. During the six-month period ended June 30, 2006, distributions of \$417,203 were reinvested into the Fund (2005 – \$3,337).

6. Subscription and Redemption of Securities

Securities of the Fund may be subscribed or redeemed at the net asset value per share next determined after receipt of a subscription or redemption request at the registered office of the Fund or its transfer agent. Requests received before 4:00 p.m. EST on a valuation day will receive the net asset value per share on that valuation day. Subscription or redemption requests received after 4:00 p.m. EST will receive the net asset value per share on the next valuation day. Subscription or redemption requests may be provided electronically or in written form, provided that all documentation is in good order and has been signature guaranteed as necessary. Appropriate signature guarantors include Canadian chartered banks and trust companies, a dealer, a member of a recognized stock exchange in Canada or any guarantor acceptable to the Fund.

7. Comparative Figures

The Fund has reclassified the comparative figures, where necessary, to conform to the current period’s presentation.

Creststreet Mutual Funds Limited

Board of Directors

Stuart P. Hensman

Corporate Director

Larry J. Macdonald

Chairman

Point Energy Inc.

John Thompson

President and Chief Executive Officer

Timing 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,

Energy Investment Management

Sheryl J. Chiddenton

Secretary and Treasurer

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 105, CAM 200,

CAM 300

Auditors

KPMG LLP

Toronto, Ontario

Registered Address

Creststreet Mutual Funds Limited

70 University Avenue, Suite 1450

Toronto, Ontario

M5J 2M4

Tel: (416) 864-6330

Toll-free: 1 866 864-6330

Fax: (416) 862-8950

E-mail: info@creststreet.com

www.creststreet.com