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MARCH 31, 2010



FUND MANAGER  
Norm Lamarche

# Chelston Park Energy Resource Fund

The Fund's investment objective is to achieve maximum capital appreciation by investing primarily in a diversified portfolio consisting primarily of equity and equity related securities of small and medium-sized business entities in a range of energy-related industries including oil and gas exploration and production, servicing and drilling, the power generation market, including coal, liquefied natural gas, nuclear and electricity, and alternative energy-related projects including fuel cell, power generation and wind power projects, as well as other related natural resource sector industries including mineral resource mining and exploration, forestry and water resource projects.

The Fund will maintain a specific investment focus and will endeavour to manage the Portfolio by focusing on the purchase of equity and equity-related securities of business entities in the energy and natural resource area. Capital growth will be targeted through the selection and strategic trading of both long and short positions in equity, debt and derivative securities.

## MONTHLY PERFORMANCE (%) NET OF FEES

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-8.6	5.6	11.8										8.0
2009					0.4	3.9	14.9	1.7	11.3	-0.6	7.2	5.6	52.8

## Front Street Managed Account Program

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	-1.6	5.0	8.9										12.5
2009	6.9	5.5	12.6	-0.3	20.7	0.8	8.9	6.5	10.5	0.4	6.0	5.4	121.4
2008	-1.1	9.4	-11.0	-7.6	11.7	-0.1	-12.7	-6.5	-18.8	-26.7	-0.2	13.0	-45.6
2007	1.4	3.1	7.4	5.5	3.2	1.2	3.3	-9.2	8.3	9.2	-10.7	1.4	24.4
2006	17.0	-2.8	9.9	8.0	-6.7	-1.6	0.2	3.1	-5.5	12.4	6.3	0.8	45.6
2005						2.0	2.1	0.7	8.0	-2.8	4.4	8.5	24.5

## FUND STATISTICS

Benchmark(s): Credit Suisse/Tremont Hedge Fund Index Long/Short Equity, MSCI EAFE Index (C\$), S&P 500 Index Total Return (C\$), S&P/TSX Composite Index

	Fund	CST HFI L/S Eq	S&P/TSX Comp.	S&P 500	MSCI EAFE
1 Month Return	11.8 %	3.0 %	3.5 %	6.0 %	5.9 %
3 Month Return	8.0 %	2.8 %	2.5 %	5.4 %	2.7 %
6 Month Return	21.6 %	5.2 %	5.6 %	11.8 %	6.5 %
Largest Monthly Gain	14.9 %	13.0 %	14.3 %	13.5 %	14.3 %
Largest Monthly Loss	-8.6 %	-11.4 %	-22.6 %	-21.5 %	-19.0 %
Maximum Drawdown	8.6 %	22.0 %	45.1 %	51.0 %	55.4 %

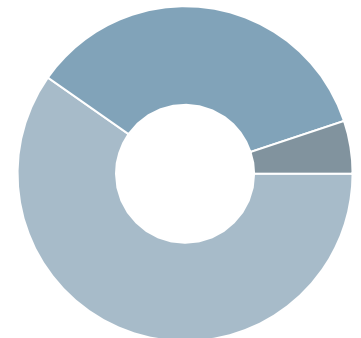
## Energy and Resources Portfolio Strategy

Portfolio management in the sector-specific strategy is less focused on trading, and more focused on fundamental analysis of the conditions surrounding each sector and each company operating within that sector. The energy and resources portfolios have, on average, long positions in between 50 to 60 companies. Furthermore, slower growth large-cap companies are frequently sold short in order to better exploit the growth rate spread across the market capitalization spectrum. Sector-specific funds are positioned to take advantage of long-run supply/demand imbalances found in global resource cycles, relying less on trading and more on identifying well-managed companies with access to superior mineral and energy assets.

## PORTFOLIO & HOLDINGS ANALYSIS

### SECTOR ALLOCATION

of long holdings (as at December 31, 2009)



## PORTFOLIO FACTS

Lead Portfolio Manager(s)	Norm Lamarche
Strategy AUM	US\$158.42 million
Performance Fee	20% of net profits if annual ROR is 6% +
Management Fee	2% per annum, charged monthly based on average weekly NAV
Administrator	Royal Bank of Canada Trust Company (Cayman)
Fund Type	O.M., Accredited Investor

## GENERAL INFORMATION

Chelston Park Energy Resource Fund Ltd. is offered by Offering Memorandum, only to investors who meet certain eligibility or minimum purchase requirements in jurisdictions outside of Canada. The Offering Memorandum contains important information about Front Street Resource Hedge Fund, including management fees, other charges and expenses and should be read carefully before investing. Performance data represents past performance and is not indicative of future performance. Data based on history of less than five years may not give investors enough information to base investment decisions on. Refer to the Benchmark Disclaimer on the following pages for important information that must be considered in interpreting this data. See the following page for a description of the indices. This document should not be considered as a solicitation.



# Chelston Park Energy Resource Fund

## FRONT STREET HEDGE FUND STRATEGIES

Front Street manages four distinct Canadian long/short equity hedge fund portfolio strategies:

- Diversified and Opportunistic
- Sector-Specific Energy
- Sector-Specific Resources
- Agriculture

Front Street is an established leader in the Canadian hedge fund industry, and is one of the most successful and experienced investment groups in Canada. The Firm invests only in Canadian equities, which tend to be heavily weighted towards energy and resources. Front Street's portfolio managers have demonstrated longterm success in assessing global macroeconomic and structural forces driving energy and resource markets. Front Street combines a sophisticated global macroeconomic viewpoint and comprehensive knowledge of the Canadian corporate landscape with sound fundamental and technical analysis of Canadian equities.

## HEDGE STRATEGY ASSETS BREAKDOWN

### Diversified and Opportunistic Long-Short Canadian Equity

	Suitability	Start	AUM <sup>1</sup>	Return <sup>2</sup>	YTD
FS Canadian Hedge Fund B	CDN	Aug-99	\$148.4	14.9%	5.4%
FS Canadian Opportunities Fund	Non-CDN	Mar-00	\$38.1	15.0%	5.1%
<b>Total Diversified Strategy AUM</b>			<b>\$186.4</b>		

### Energy Long-Short Canadian Equity

	Suitability	Start	AUM <sup>1</sup>	Return <sup>2</sup>	YTD
FS Energy Growth Fund	CDN	Mar-02	\$44.8	7.1%	19.6%
<b>Total Energy Strategy AUM</b>			<b>\$44.8</b>		

### Resource Long-Short Canadian Equity

	Suitability	Start	AUM <sup>1</sup>	Return <sup>2</sup>	YTD
Chelston Park Energy Resource Fund	Non-CDN	May-09	\$12.9	65.0%	8.0%
FS Canadian Energy Resource Fund	CDN	Jan-05	\$36.8	16.8%	-0.8%
FS Resource Hedge (sub-acct)	n/a	Jun-05	\$39.4	26.0%	12.5%
FS Resource Performance Fund	CDN	Jun-07	\$68.2	1.1%	13.6%
FS Shari'a Resource Fund Ltd.	Non-CDN	Jul-08	\$1.0	47.7%	-6.4%
<b>Total Resource Strategy AUM</b>			<b>\$158.4</b>		

### Agriculture Sector

	Suitability	Start	AUM <sup>1</sup>	Return <sup>2</sup>	YTD
Ceres Global Ag Corp. <sup>3</sup>	CDN	Dec-07	\$121.0	-4.6%	4.7%
<b>Total Agriculture Strategy AUM</b>			<b>\$121.0</b>		

### Hedge Strategy Asset Breakdown Totals

Total Diversified Strategy AUM	\$186.4
Total Energy Strategy AUM	\$44.8
Total Resource Strategy AUM	\$158.4
Total Agriculture Strategy AUM	\$121.0
<b>Total Hedge Strategy AUM</b>	<b>\$510.6</b>

<sup>1</sup> All AUM figures shown in US\$ (millions) using the C\$/US\$ exchange rate of 0.9849 as at March 31, 2010, except for Ceres Global Ag Corp, which uses the exchange rate of 0.9763 as at March 12, 2010.

<sup>2</sup> Average annualized compound return since fund inception (or simple return for funds with less than one year of history).

<sup>3</sup> Ceres Global Ag Corp represents an opportunity to invest in Global Public and non-public agricultural related equities, farmland, biofuels, carbon emission credits, agriculture commodities and other agriculture investments through a publicly listed corporation on the TSX (CRP).

## STRATEGY COMMENTARY



### Norm Lamarche

(as at February 28, 2010)

The first 2 weeks of February were weak however as mounting concerns over a slowdown in China, coupled with fears of sovereign credit issues coming to the fore resulted in markets retreating before ending the month on a significant up note in somewhat surprising reversal of sentiment and fortunes.

For the month, the S&P/TSX index rose 4.8% but is still down YTD 1.0%. In the Resource world, the Materials sub index increased 8.0% while the Energy sub index rose 1.7%. Within the Materials Sub group, the Metals and Mining segment increased 8.3% while the Golds rose by 7.4%. Despite this encouraging turnaround from January all of these indices are still in negative territory for the year. Markets worldwide moved ahead in February on further evidence of an economic turnaround, as well as a positive earnings reporting period but as mentioned earlier ended the month on an apprehensive tone as concerns over the European (Greece in particular) financial crisis reappeared.

In the broader markets, large capitalization names benefitted as investors redirected funds from bonds to large cap equities. Small cap names were impacted as they represent a smaller capital pool.

While investors are hoping for a turnaround in the U.S. and world economy into next year, the debate remains about its strength and sustainability. Our recent trip to Asia and China in particular reinforces our view that emerging markets will continue to support resource stocks.

We remain fully invested.

Norm Lamarche  
Portfolio Manager