

NorthStream Credit Strategies Fund LP

Monthly Commentary: June 2016

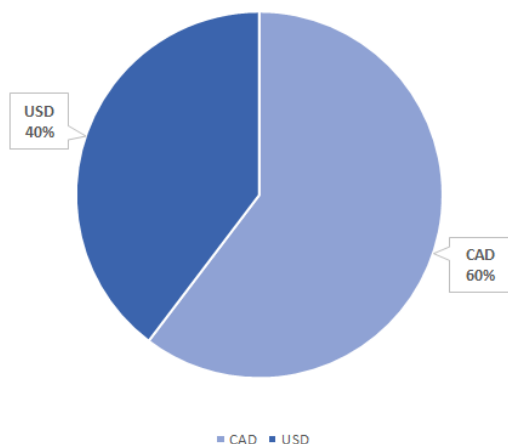
In the weeks leading up to Britain's vote on whether to remain part of the European Union, the polls indicated the vote would be very close. However, several UK gaming sites showed that 80% of the individuals wagering were betting that a "remain" vote would be the outcome. Our investment mandate does not include us taking views on the global macro economy, creating exposure to binary outcomes, or taking positions where we have no competitive advantage. We perceived the downside risk of an exit vote was much greater than the upside of a remain vote. Consequently, we positioned the portfolio defensively as the referendum approached by having higher rated names, a large weighting in shorter maturities and a material weighting to Canadian dollar high yield names which do not experience as much volatility from the inflows and outflows from ETF credit funds.

The exit vote is likely to have a negative impact on global economic growth. Prior to the vote, there was approximately \$8.5 trillion of global treasury bonds with a negative yield. Immediately after the vote, the amount of treasuries with negative yields increased to over \$10 trillion and has drifted up to \$12 trillion recently. On July 13, for the first time a German government primary auction for 10-year bonds cleared at negative 0.05%. Recently the yield on the Canadian 10-year bond dipped below 1% as inflation hovers around 1.5%.

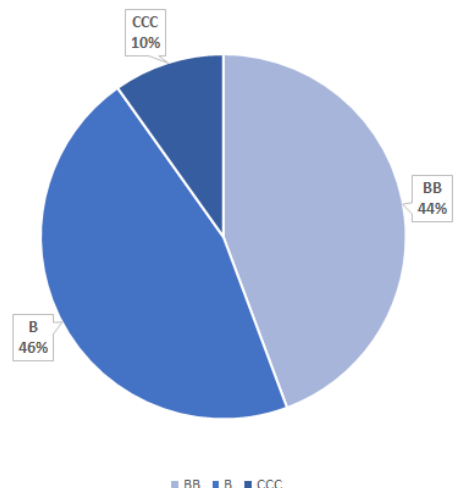
Ironically, the demand for risk assets has increased over the past few weeks with equity markets rallying as US quarterly earnings have declined year over year. We intend to remain defensive going forward as reminders of weak economic growth will persist and cause investors to question the value proposition of adding additional risk assets.

Our bond holdings by rating for June were 44% BB, 46% B, and 10% CCC. Our Canadian dollar denominated positions comprise 60% of the portfolio. The NorthStream Credit Strategies Fund generated a return of .81% for the month of June and a cumulative return of 1.30% for the two month period.

Portfolio Currency Exposure



Bond Holdings by Credit Rating



Net Monthly Returns as at June 30, 2016							
	Jan	Feb	Mar	Apr	May	Jun	2016 (YTD)
2016	-	-	-	-	0.49%	0.81%	1.30%

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