NorthStream Credit Strategies Fund LP

Monthly Commentary: May 2016

May 2016 was an interesting time to launch a new portfolio. The high yield market had two consecutive months of strong performance and was potentially short term overbought. Managers who had been underweight volatile sectors such as energy and materials and CCC rated paper continued to add risk to their portfolios, pushing up prices in these under owned segments. Meanwhile the equity market was losing momentum in early May, underperforming the credit market. As a portfolio manager we were faced with the decision of whether to participate in the accumulation of riskier names that were currently performing or to gradually enter the market as it became clearer whether the debt or equity market was giving the correct signal on which direction the markets were heading.

Our decision was to not accumulate any positions in the first two weeks and we began adding high quality event driven and shorter maturity names in the remaining two weeks. Based on prior experience, we decided to build a core of lower volatility names and several event driven names that would provide sufficient diversification by rating, currency, and maturity. At the end of May, we had a cash weighting of 22% and 76% of our bond holdings in Canadian dollars. Our decision to overweight Canadian dollar denominated issues was driven by the scarcity of new issues in the past few quarters that limited the supply of bonds and provided technical support to the Canadian market, compared to the US dollar high yield market.

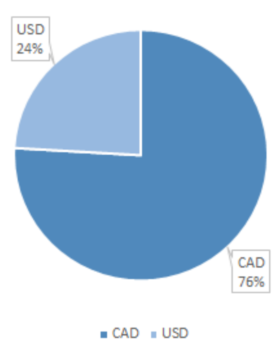
Our bond holdings by rating are 45% BB, 31% B, and 16% CCC. Opportunistically we will add more total return oriented names as they materialize. Although we held significant cash balances for May, the portfolio generated a return of .49% driven by capital gains in a few positions.

Investment Highlight: Atlantic Power Corp.

As a general rule, attractive investments exist in all market conditions. Several opportunities were present in the market in May, such as Atlantic Power's ("ATP") notes maturing in 2019. In its first quarter earnings presentation on May 6, ATP indicated that it planned to use a portion of proceeds from a term loan refinancing to repurchase up to US$65m of its 2019 notes as part of an ongoing effort to eliminate front-end maturities. ATP had already extended the maturity dates for its term loan and revolving credit facility and allocated a portion of the refinancing proceeds to redeem all outstanding 2017 notes. As a result, the 2019 notes are the next corporate debt maturities in line to be addressed by the company. ATP did not indicate whether it planned to repurchase the Canadian dollar denominated 6.0% or the US dollar denominated 5.75% notes, both of which provided an attractive yield. We decided to immediately purchase the 6.0% notes at $93.75 (8% yield to maturity) the day of the earnings presentation and subsequently bought the 5.75% notes at US$92.25 (8.5% yield to maturity). On June 16, ATP announced board approval for a substantial issuer bid to repurchase up to US$65m of the 5.75% notes with a purchase price of US$96.50. Meanwhile, the 6.0% notes have traded up to $99.20. Together, the ATP notes represent 5% of our portfolio, split roughly evenly between the Canadian and US dollar denominated tranches.

Bond Holdings by:

Currency Exposure



Credit Rating