NorthStream Credit Strategies Fund LP

Monthly Commentary: October 2016

The NorthStream Credit Strategies Fund LP generated a return of 2.12% for the month of October, outperforming the treasury[1], corporate[2] and high yield bond[3] indexes due to our conservative portfolio positioning. In our September commentary, we highlighted that US inflation expectations had been rising from their low of approximately 2% in early July to 2.5%. At that point, the Fed Funds futures market was showing an 86% probability of a rate hike in December 2016, however the futures market in Canada indicated a 0% probability of a rate hike in March 2017 and a 10.3% probability of a rate cut. Based on this information we increased the Canadian dollar denominated bond weighting in the portfolio to 76% at the end of October to mitigate the impact of a potential "Taper Tantrum".

There has been a material change in the bond markets over the past five months, perhaps an inflection point. In June, the value of global negative yielding bonds peaked at US $12.2 trillion. The subsequent increase in US inflation expectations in September dragged up rates globally which reduced the market value of global negative yielding bonds to US $9.8 trillion as of November 1st. FBI Director James B. Comey told members of Congress in late October that new emails had been discovered that could be relevant to an investigation into Clinton's use of a private email server while Secretary of State. The FBI email review caused Clinton's comfortable lead in the polls to slip, making it a very close Presidential race in November. Trump's upset victory and a Republican US Congress have materially changed inflation expectations in anticipation of a large increase in infrastructure spending and fiscal stimulus to stoke economic growth. The yield on the US 10-year has increased by 43 basis points in the first fourteen days of November to yield 2.26%. In contrast, the futures market in Canada is showing a 14% probability of a rate increase in October 2017 and a 9% probability of a rate decrease in the first half of 2017.

Our decision to have a large weighting in Canadian dollar denominated bonds eliminated the risk associated with correctly handicapping the frequency of rate increases in the US market and estimating the outcome and potential effects of the US Presidential election. With the election behind us and improving visibility on rate increases and changes in expected inflation, we will be in a better position to change our US dollar weighting if warranted.

We continue to maintain our defensive positioning with exposure to higher-rated names and shorter maturities, with a portfolio duration of 3.6 years compared to 4.33 years for the high yield index. Our Canadian dollar exposure was 65% at the end of September and has increased to 76% at the end of October. Our bond holdings by rating for October were 38% BB, 54% B, and 8% CCC.

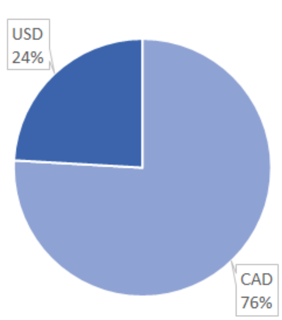
The NorthStream Credit Strategies Fund LP generated a return of 12.68% for the six months since inception.

NorthStream Credit Strategies Fund LP											
Year	January	February	March	April	May*	June	July	August	September	October	**YTD**
2016	-	-	-	-	0.49%	0.81%	3.40%	2.98%	2.29%	2.12%	**12.68%**

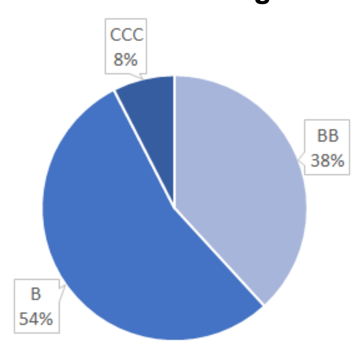
** Date of Inception: May 2nd, 2016*

Bond Holdings by:

Currency Exposure



Credit Rating



1 S&P U.S. Treasury Bond 7-10 Year Index (MTD Return October 31: -1.45%); 2 Bank of America Merrill Lynch US Corporate Index C0A0 (MTD Return October 31: -0.83%); 3 iShares iBoxx $ High Yield Corporate Bond ETF - HYG (MTD Return October 31: -0.12%)

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