NorthStream Credit Strategies Fund LP

Monthly Commentary: December 2016

The NorthStream Credit Strategies Fund LP generated a return of 2.88% for the month of December and a return of 16.80% for the eight months since inception. 2016 experienced several macro risk factors including Brexit, the unexpected outcome of the US presidential election, a material increase in US interest rates and a spike in the cost to hedge US interest rate risk. The actions we took to mitigate these risk factors were to shorten the portfolio duration, increase the Canadian dollar weighting in the portfolio and overweight single B rated credits, which are less sensitive to changes in interest rates. Our strategy involves identifying event driven market opportunities which have catalysts that are less correlated with the overall market. The combination of the event driven opportunities and the portfolio positioning described above caused us to generate alpha in 2016.

A key objective of our strategy is to generate an investment return in the most tax efficient manner possible. One action we take to maximize tax efficiency is to sell positions that have appreciated and are trading above the call price. We prefer to sell a bond trading above its next call price rather than amortize that premium over several months. In December, we sold two positions that were trading at a premium. We sold our position in the Seven Generations 8.25% bonds maturing 5/15/2020 at a price of $106.25. The Seven Generations bonds are callable in May 2017 at a price of $104.125. The other position we monetized was Great Canadian Gaming 6.625% bonds maturing 7/25/2020 at a price of $105. The Great Canadian Gaming bonds are callable at a price of $103.313 in July 2017. Both positions were purchased earlier in 2016 with a cost basis below the next call price. Our emphasis on event driven opportunities results in the portfolio generating capital gains. In 2016, the portfolio generated more than 50% of the 16.80% investment return from capital appreciation relative to the amount generated from interest income.

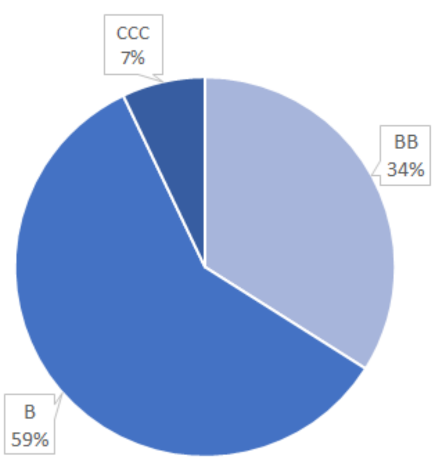
Our Canadian dollar exposure was 81% at the end of December, due to the Fed indicating that three rate increases are expected in 2017. Comparatively the probability of a rate increase in Canada in the first half of 2017 is very low. We will consider repositioning the portfolio as visibility improves on the pace of rate increases and changes in expected inflation. Our bond holdings by rating for December were 34% BB, 59% B and 7% CCC.

NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**YTD**
2016	-	-	-	-	0.49%	0.81%	3.40%	2.98%	2.29%	2.12%	0.75%	2.88%	**16.80%**

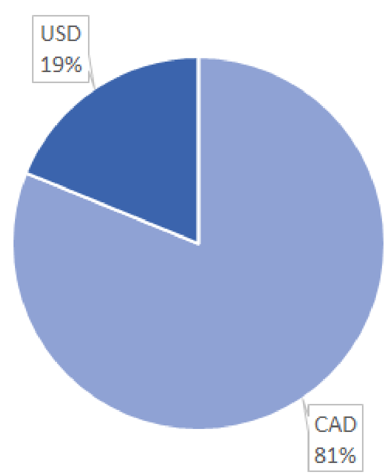
The NorthStream Credit Strategies Fund LP ("the Fund") launched on May 2nd, 2016. The monthly returns above are shown net of all fees and expenses and are based on the Fund's Class X Lead Series NAV. Monthly NAV and returns are calculated by SGGG Fund Services Inc.

Bond Holdings by:

Credit Rating



Currency Exposure



NorthStream Capital Inc. | TD North Tower Suite 2010, 77 King Street West, Toronto, Ontario| M5K 1K2 | (T) 416-613-4651 | www.northstreamcap.com