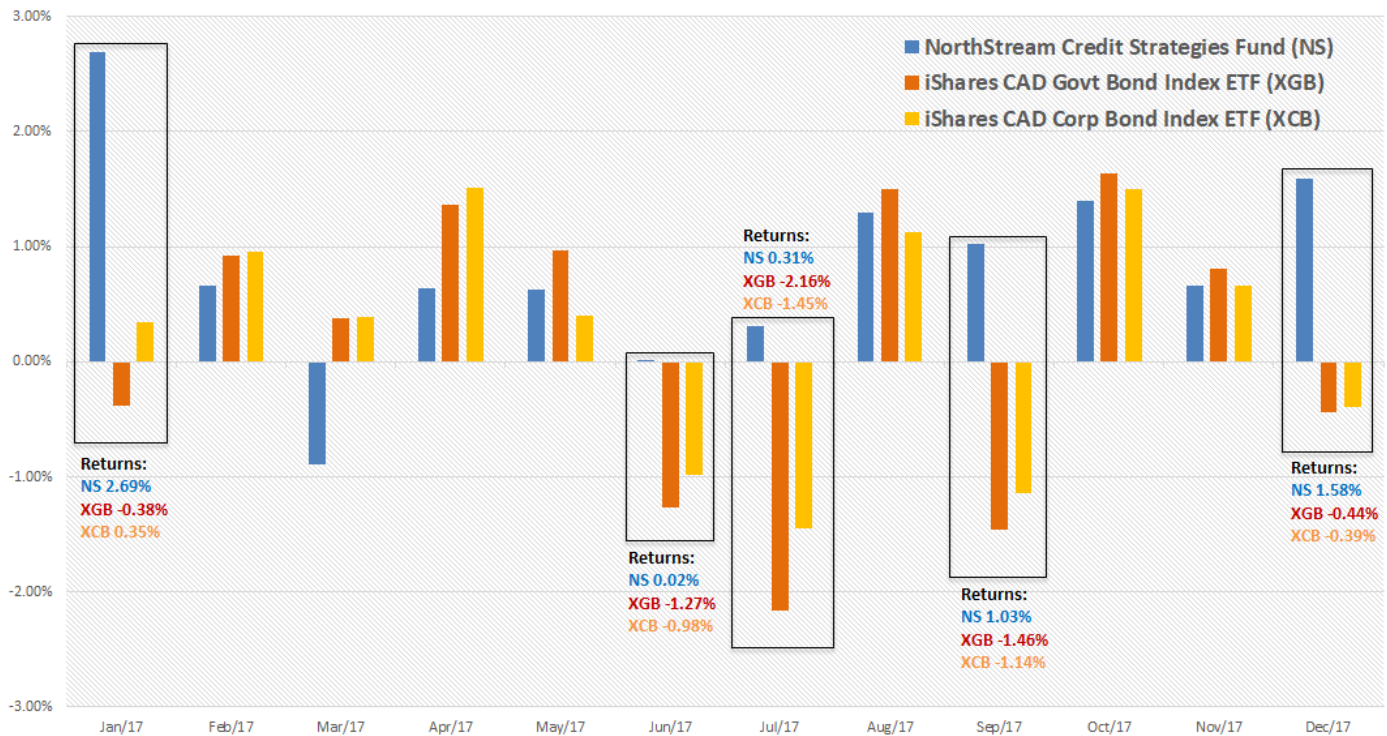


The NorthStream Credit Strategies Fund LP generated a return of 1.58% for the month of December, driven by capital appreciation in several positions and contribution from a recently initiated short position. The broader high yield market returned 0.19% in the month compared to negative returns for government and investment grade corporate bonds, as interest rates in the US and Canada continued to drift higher. Because of our focus on event-driven investment opportunities, the Fund generated positive monthly returns during the five months that experienced headwinds from rising interest rates in 2017 (as shown in the table below). As our portfolio and risk metrics indicate, the Fund continues to maintain a low correlation to rates and equities.

### NorthStream 2017 Monthly Returns vs. Government & Corporate Bonds



In 2017, the Fund's annual return was 10.46%, exceeding our target of 8% - 10%. The Fund outperformed Canadian government bonds by 865 basis points, corporate bonds by 754 basis points, and the broader high yield market by 437 basis points in 2017.<sup>1,2,3</sup>

Additionally, we generated over 1/3 of the investment return in 2017 from capital gains, meeting our objective to maximize tax efficiency. We were able to find enough opportunities in the market to successfully execute our investment strategy focused on event-driven opportunities. The Fund had 25 realizations throughout 2017, including positions in Home Capital, Aimia, Mattamy Homes, and Gateway Casinos that we highlighted in our monthly commentaries. These positions were spread across a diverse range of industries and included both Canadian and US issuers.

We believe that investment opportunities exist in all market conditions and we anticipate a continued supply of event-driven opportunities in 2018, both long and short. As mentioned in our November commentary, we have identified opportunities in sectors experiencing technological disruption and in sectors that are in decline. We look forward to discussing these investment themes in more detail as the year progresses. Overall market volatility was quite low in 2017, however this does not necessarily increase the probability of higher volatility in 2018. Consequently, we will be more focused on investment themes rather than wait for the emergence of broader market dislocation.



## NorthStream Credit Strategies Fund LP

Monthly Commentary: December 2017

As we enter the new year, we continue to closely monitor the frequency of interest rate increases in Canada and the US. In Canada, a stronger than expected December jobs report prompted the odds of a rate hike to 91.6% at the Bank of Canada's January 17<sup>th</sup> meeting. In the US, the Fed raised interest rates by 25 basis points in December and projected three rate hikes for 2018. The Fed funds futures market currently places the odds of a rate hike at the Fed's March 21<sup>st</sup> meeting at 88.2%. Despite signs of inflation and continued central bank tightening the yield curve has continued to flatten, as a tug of war exists between the calls for a bond bear market and possibility of an inverted yield curve in 2018. In order to reduce volatility in a rising interest rate environment, we have lowered the portfolio's duration to 2.94, compared to 3.84 for the high yield index.<sup>4</sup>

Our bond holdings by rating for December were 25% BB, 65% B and 10% CCC. Canadian dollar positions comprised 81% of the portfolio. Please refer to our portfolio and risk metrics below.

### NorthStream Credit Strategies Fund LP - Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	2.69%	0.66%	-0.89%	0.64%	0.63%	0.02%	0.31%	1.30%	1.03%	1.40%	0.66%	1.58%	10.46%
2016	-	-	-	-	0.49%	0.81%	3.40%	2.98%	2.29%	2.12%	0.75%	2.88%	16.80%

### Return Since Inception: 29.01%

The NorthStream Credit Strategies Fund LP ("the Fund") launched on May 2<sup>nd</sup>, 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. Past performance is not indicative of future results. Performance, risk metrics, and correlations are as of December, 31<sup>st</sup>, 2017.

### Performance & Risk Metrics

Return Since Inception	29.01%
YTD	10.46%
1-YR Return	10.46%
Annualized Since Inception	16.51%
% of Positive Months	95.00%
Maximum Drawdown	-0.89%
Annualized Standard Deviation	3.88%
Sharpe Ratio <sup>5</sup>	3.86

### Correlation

Index	XGB <sup>1</sup>	TSX	S&P500
Correlation	-1.4%	38.6%	-0.7%
Upside Capture	98.3%	112.7%	73.4%
Downside Capture <sup>6</sup>	-166.0%	-47.3%	-145.0%

<sup>1</sup> iShares Canadian Government Bond Index ETF (XGB)

<sup>2</sup> iShares Canadian Corporate Bond Index ETF (XCB)

<sup>3</sup> iShares iBoxx \$ High Yield Corporate Bond Index ETF (HYG)

<sup>4</sup> US High Yield Master II Index (H0A0)

<sup>5</sup> Using 1-year T-bills.

<sup>6</sup> Negative downside capture vs. XGB, TSX, and S&P 500 is a result of NorthStream generating positive returns in months when these indices generated negative returns.

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