



## NorthStream Credit Strategies Fund LP

Monthly Commentary: January 2018

The NorthStream Credit Strategies Fund LP generated a return of 1.32% for the month of January despite headwinds from rising rates in North America. The Fund generated 89 basis points of outperformance in January relative to the broader high yield market.<sup>1</sup> The yield on 5-year Canadian government bonds increased 21 basis points during January relative to a 31 basis point increase for 5-year US Treasuries. Interest rates have increased in six of the past thirteen months. The Fund generated positive monthly returns in all of the six months that experienced rising rates due to our emphasis on event-driven situations and our short portfolio duration.

The concerns about rising rates have further increased during February. This apprehension throughout the market led to a sharp spike in volatility, which was exacerbated by the unwinding of short volatility trades that accumulated billions in assets during periods of unusually low volatility. On February 5th, the S&P 500 experienced a -4.1% one day decline as several short VIX ETFs halted redemptions. Investors are now trying to discern how much of the sell-off was caused by the unwinding of these volatility bets. Was this an anomalous bump in the road, or a shift in the macro backdrop that will impact all asset classes for the balance of 2018? Of course, dislocations like this present opportunities for our investment strategy.

The Fund has experienced much less volatility than the market in February due to the 22% portfolio weighting in short-duration and yield-to-call bond positions. Additionally, we have one of our larger portfolio weightings in a shorter duration note for which the issuer initiated a Dutch auction to repurchase its outstanding debt, a process that will result in additional cash for the portfolio and a capital gain on the portion of the position that we chose to tender. Our investment strategy is not dependent on leverage and we have the ability to react to market opportunities as they occur. As our portfolio and risk metrics indicate, the Fund continues to maintain a low correlation to rates and equities. We are acutely aware of the increased volatility in the marketplace, the potential for higher interest rates, and the need to preserve investor capital. At the same time, however, the above scenario usually presents opportunities to the astute investor willing to dig in and do the work.

### NorthStream Credit Strategies Fund LP - Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	1.32%	-	-	-	-	-	-	-	-	-	-	-	1.32%
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: 30.71%

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 January, 31<sup>st</sup>, 2018.

### Performance & Risk Metrics

Return Since Inception	30.71%
YTD	1.32%
1-YR Return	8.98%
Annualized Since Inception	16.54%
% of Positive Months	95.24%
Maximum Drawdown	-0.89%
Annualized Standard Deviation	3.78%
Sharpe Ratio <sup>2</sup>	3.95

### Correlation

Index	XGB <sup>3</sup>	TSX	S&P500
Correlation	-1.52%	35.25%	-0.20%
Upside Capture	98.30%	112.74%	64.71%
Downside Capture <sup>4</sup>	-163.50%	-69.69%	-144.71%

<sup>1</sup> iShares iBoxx \$ High Yield Corporate Bond Index ETF (HYG)

<sup>2</sup> Using 1-year T-bills.

<sup>3</sup> iShares Canadian Government Bond Index ETF (XGB)

<sup>4</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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