



NorthStream Credit Strategies Fund LP

Monthly Commentary: April 2018

The NorthStream Credit Strategies Fund LP generated a return of 0.72% for the month of April despite the continued increase in interest rates in both Canada and the US. Although the fund had a similar return of 0.72% in March, there were no realizations that made up a material portion of the monthly return like the contribution from Newalta during March. April was a month where the coupon contributed most of the return with some small improvements in the portfolio bond prices.

Our April results also bring us to an important milestone – the second anniversary of the fund. Over the past two years the fund has generated a cumulative return of 32.62% which is 1913 basis points above the high yield bond index.¹ The fund has generated alpha by identifying numerous event-driven opportunities that have contributed consistent capital gains. Since inception we have had 37 realized positions. Our goal is to hit numerous singles and doubles which allow the portfolio to perform even if the bond market is impacted by rising rates or widening credit spreads. The table below shows that the fund has been able to generate excess returns in seven of the eight quarters since inception. Our capital gains have been evenly distributed by numerous positions and with excess performance each quarter, except for Q2 2017.

NorthStream Excess Performance					
NorthStream vs. iShares iBoxx \$ High Yield Corporate Bond ETF (HYG)					
Period	Fund Performance %		Additional Return %		
	NorthStream	HYG	Quarterly	Annually	Since Inception
Q2 2016*	1.31%	1.04%	0.26%		
Q3 2016	8.92%	4.96%	3.96%		
Q4 2016	5.85%	1.26%	4.59%		
2016	16.80%	7.39%		9.41%	
Q1 2017	2.45%	2.22%	0.23%		
Q2 2017	1.29%	2.07%	-0.78%		
Q3 2017	2.67%	1.66%	1.01%		
Q4 2017	3.68%	0.03%	3.65%		
2017	10.46%	6.09%		4.37%	
Q1 2018	2.06%	-1.12%	3.19%		
Since Inception*	32.62%	13.49%			19.13%

*Note: the fund launched on May 2nd, 2016. Performance for Q2 2016 shown above reflects the period from May 2nd, 2016 to June 30th, 2016.

In regard to our objective of generating over 1/3 of the investment return from capital gains, our February 2018 commentary highlighted that 50% of the 2017 investment return was from capital gains and 77% of the investment return from capital gains in 2016. Please note the link to our February 2018 commentary describing the tax efficiency of the fund in each tax year: <http://northstreamcap.com/wp-content/uploads/2018/03/February-2018-Commentary-NorthStream-Credit-Strategies-Fund-LP.pdf>

Over the 24 months since inception, the fund has generated positive returns in a rising interest rate environment and preserved capital during periods of equity volatility demonstrating the low correlation to rates and equities as shown in the table below. Canadian interest rates have increased in 11 of the past 24 months.² Over the same period, US rates have risen in 13 months.³ NorthStream generated positive returns in all 11 months when Canadian rates increased and in 12 of the 13 months when US rates increased. Additionally, the fund has generated investment returns that are competitive with the equity market, but with the risk profile of a fixed income product.



NorthStream Credit Strategies Fund LP

Monthly Commentary: April 2018

We are acutely aware of the increased volatility in the marketplace, the potential for higher interest rates, and the need to preserve investor capital. Consequently, we have a 24% portfolio weighting in short-duration and yield-to-call bond positions as a source of liquidity that allows us to take advantage of opportunities and market dislocations as they arise. 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
2018	1.32%	0.01%	0.72%	0.72%	-	-	-	-	-	-	-	-	2.80%
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: 32.62%

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. Past performance is not indicative of future results. Performance, risk metrics, and correlations are as of April 30th, 2018.

Performance & Risk Metrics	
Return Since Inception	32.62%
YTD	2.80%
1-YR Return	10.13%
Annualized Since Inception	15.16%
% of Positive Months	95.83%
Maximum Drawdown	-0.89%
Annualized Standard Deviation	3.67%
Sharpe Ratio ⁴	3.69

Correlation			
Index	XGB ⁵	TSX	S&P500
Correlation	-1.67%	40.60%	17.35%
Upside Capture	96.01%	106.77%	66.09%
Downside Capture ⁶	-155.60%	-48.72%	-42.93%

¹ iShares iBoxx \$ High Yield Corporate Bond ETF (HYG).

² iShares Canadian Government Bond Index ETF (XGB).

³ iShares US Treasury Bond ETF (GOVT).

⁴ Using 1-year T-bills.

⁵ iShares Canadian Government Bond Index ETF (XGB).

⁶ 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.

Information obtained from this commentary is not intended to be used as financial or investment product advice and is not meant for making investment decisions. This commentary does not constitute a solicitation or offering for the sale or purchase of investment or securities in any products. The information contained herein, while believed to be reliable and complete, is not guaranteed as to its accuracy or completeness. NorthStream Capital Inc. ("NorthStream") cannot guarantee its accuracy or completeness and accepts no responsibility for any loss arising from any use of or reliance on the information contained herein. Material information about the NorthStream Credit Strategies Fund LP ("the Fund") is made available in the Confidential Offering Memorandum that should be read carefully before investing. To obtain complete information relating to the Fund, please refer to the Confidential Offering Memorandum.