



NorthStream Credit Strategies Fund LP

Monthly Commentary: May 2018

The NorthStream Credit Strategies Fund LP generated a return of 0.52% for the month of May, resulting in 36 basis points of outperformance relative to the high yield index. The fund is up 3.33% year to date relative to the high yield index, which is down -0.24%.¹ The fund has generated 357 basis points of outperformance in 2018 and 1963 basis points of outperformance in the 25 months since inception.

2018 has been a difficult year for safer investments with Canadian and US 10 year government bonds rising 28 bps and 53 bps respectively and the US corporate bond index down -3.61% year to date.² Despite signs of inflation and continued central bank tightening the yield curve is relatively flat, creating mixed signals about the long term growth rate for the North American economy. The expectations of further interest rate hikes creates the possibility of market volatility if interest rate increases occur faster than expected. We have structured the portfolio to withstand further rate increases by keeping our duration fairly short at 3.2 years. The portfolio is well positioned to take advantage of volatility given our 33% weighting in yield to call bonds that have staggered maturities over the next 12 months, providing a consistent source of liquidity.

Our bond holdings by rating were 22% BB, 58% B, 11% CCC and 9% unrated. Canadian dollar positions comprised 72% of the portfolio with the balance denominated in US dollars. Over the 25 months since inception, the fund has generated positive returns in a rising interest rate environment and preserved capital during periods of equity volatility, demonstrating low correlation to rates and equities. The performance, risk, and correlation metrics are detailed in the tables 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%	0.52%	-	-	-	-	-	-	-	3.33%
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: 33.30%

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 May 31st, 2018.

Performance & Risk Metrics	
Return Since Inception	33.30%
YTD	3.33%
1-YR Return	10.00%
Annualized Since Inception	14.80%
% of Positive Months	96.00%
Maximum Drawdown	-0.89%
Annualized Standard Deviation	3.62%
Sharpe Ratio ³	3.61

Correlation			
Index	XGB ⁴	TSX	S&P500
Correlation	-3.49%	34.30%	15.64%
Upside Capture	93.37%	95.66%	63.14%
Downside Capture ⁵	-155.60%	-48.72%	-42.93%

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

² iShares iBoxx \$ Investment Grade Corporate Bond ETF (LQD)

³ Using 1-year T-bills.

⁴ iShares Canadian Government Bond Index ETF (XGB)

⁵ 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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