

The NorthStream Credit Strategies Fund LP returned -0.17% for the month of June. The fund was performing in step with the broader high yield market, which was up slightly for the month, but experienced some modest repricing in the last week of June.¹ Our Canadian dollar BB rated names were impacted by a reopening of an existing bond issue from Superior Plus that was benchmarked off their first US dollar bond deal, which was used to fund the purchase of NGL Energy Partners' retail propane business. The spread on the US dollar deal was at done at a 416 basis point spread over government bonds compared to the secondary spread on the Canadian dollar notes of 350 basis points, causing the reopening of the Canadian issue to reprice the two outstanding Canadian dollar bonds maturing in 2024 and 2025. When the Superior Plus bond deal was announced on June 25th, the index spread for \$US BB rated propane issuers was 254 basis points. The new issue concession for the Superior \$US dollar bond deal was exceptionally high. The spread over treasuries on most other Canadian dollar BB rated names drifted modestly wider after the Superior Plus reopening. Our weighting to BB rated names was 23% in June.

During the month we had a realization on River Cree Casinos' 11% Senior Secured notes maturing 2021, as the company exercised the option to call the notes at a price of \$105.5. We purchased the notes at a price of \$105.5 in November 2017 due to the attractive current income and a covenant that required that the company escrow excess cash flow beginning in 2019 to pay down their small term loan. The company was able to refinance their capital structure in the private loan market and lower their cost of capital.

Despite signs of inflation and continued central bank tightening, the yield curve is quite 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 27% weighting in yield-to-call bonds that have staggered maturities over the next 12 months, providing a consistent source of liquidity. Overall, we view an increase in interest rates and periodic swings in credit spreads as an opportunity to purchase positions with better value and return profiles. We have positioned the portfolio to take advantage of such opportunities. Year-to-date, the investment grade corporate bond market has returned 0.48% and the high yield market has returned 0.14%.^{2,3} By focusing on event-driven opportunities and portfolio positioning, as described above, the fund generated a return of 3.16% in the first half of 2018, outperforming the investment grade market by 268 bps and the high yield market by 302 bps.

Our bond holdings by rating were 23% BB, 56% B, 11% CCC and 10% unrated. Canadian dollar positions comprised 74% of the portfolio with the balance denominated in US dollars. 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%	-0.17%	-	-	-	-	-	-	3.16%
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: 33.08%

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 June 30th, 2018.

Performance & Risk Metrics	
Return Since Inception	33.08%
YTD	3.16%
1-YR Return	9.80%
Annualized Since Inception	14.10%
% of Positive Months	92.31%
Maximum Drawdown	-0.89%
Annualized Standard Deviation	3.66%
Sharpe Ratio ⁴	3.40

Correlation			
Index	XGB ⁵	TSX	S&P500
Correlation	-5.68%	30.26%	16.70%
Upside Capture	87.76%	88.94%	61.73%
Downside Capture ⁶	-155.60%	-48.72%	-42.93%

¹ iShares iBoxx \$ High Yield Corporate Bond ETF (HYG) 1-month return on June 30, 2018 = 0.38%.

² iShares Canadian Corporate Bond Index ETF (XCB).

³ iShares iBoxx \$ High Yield Corporate Bond ETF (HYG).

⁴ Using 1-year T-bills.

⁵ iShares Canadian Government Bond Index ETF (XGB).

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