

The NorthStream Credit Strategies Fund generated a return of -1.44% for the month of November, as spreads on the high yield index widened 48 bps and the yield-to-maturity increased by 36 bps to yield 7.37%.¹ Interest rates on 2-year to 10-year bond maturities decreased, causing the yield curve to become even flatter. The spread on 2-year vs 10-year bonds in Canada and the US declined to 11 bps and 20 bps respectively. Parts of the US yield curve have flirted with becoming inverted in early December.

In a period of a few months, the concerns regarding rapidly rising interest rates have rolled to concerns about global growth. Commodities have been weak since early 2018 indicating that other parts of the world economy may have been weak, however a flattening US yield curve indicates the perceived risks have spilled over to North America.

In addition to uncertainty about economic growth, there are three short term issues at the forefront of investors' minds including the pace and frequency of additional rate increases by the Fed, resolution on the trade issues with China, and the implementation of the OPEC production cuts. It appears there are potential positive resolutions on all of these sources of volatility, however unlike in February 2018 investors are not front running the expected asset price recovery (buying the dips) as the S&P 500 has made three attempts to bottom in the past few months. Our view is that the appetite for risk assets will be muted until additional evidence regarding whether or not the three risks highlighted above are heading in a positive direction. Our base case view for the economy in 2019 is for a potential slowdown rather than a recession.

In 2018 our portfolio positioning became increasingly defensive as risk factors became more apparent. As the charts on the following page show, we reduced our portfolio duration to 2.39yrs (from 3.54yrs in March 2018) and increased our weighting in yield-to-call positions to 42.94% (from 23.32% in March 2018). In building our yield-to-call positions we created a maturity ladder that provides ample liquidity in the coming six months to take advantage of the current market dislocation. For the month of December we have 7.53% of the portfolio that will mature or has been called. In Q1 2019 we have 10.1% of the portfolio that will mature and another 23.3% of the portfolio maturing in Q2 2019. An additional 21.7% of the portfolio matures in 2020 or 2021.

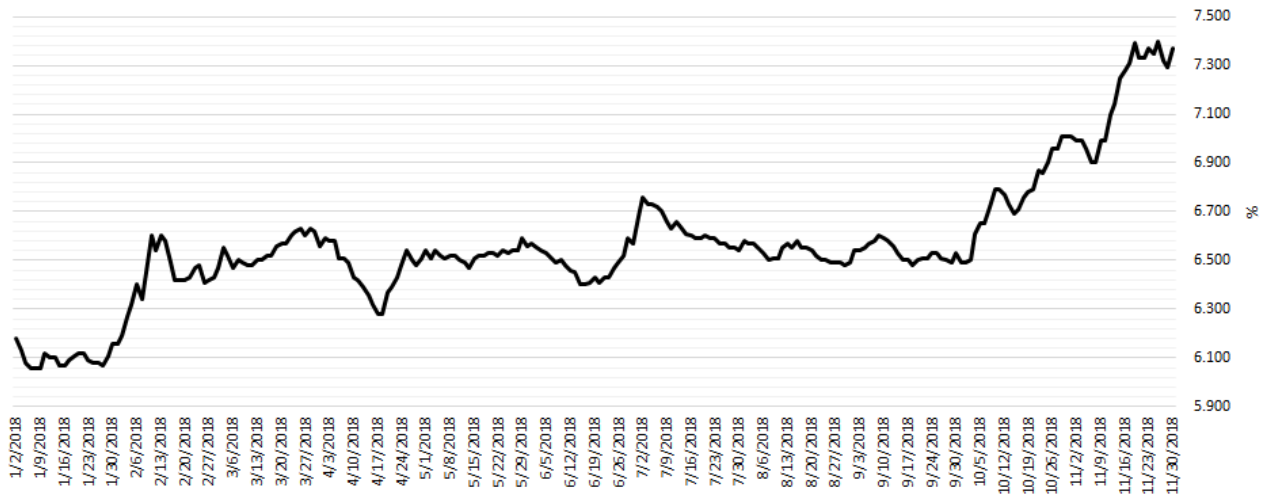
In November we added three new positions including:

- a bond risk arb with a compelling spread,
- a bond with a 2-year duration where we were short the equity prior to a covenant amendment,
- a bond position in a two year maturity with a 9% return profile.

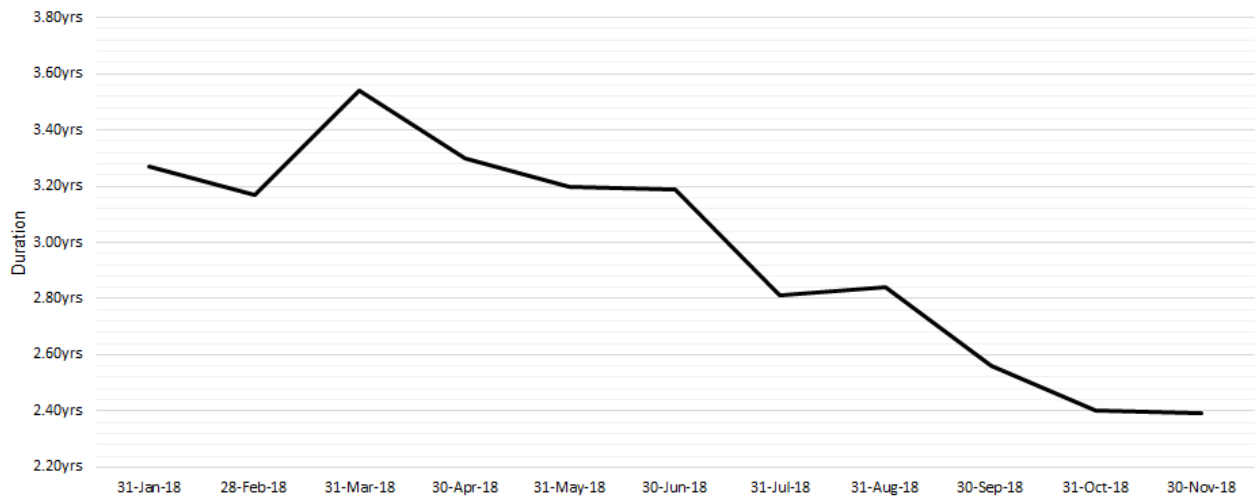
In December we had expected/positive outcomes on two risk arb positions that equaled 2.3% of the portfolio. Once we see signs that the three risk factors highlighted above have subsided we will look to extend the portfolio duration. We believe the portfolio is well positioned to rebalance with higher yielding securities in 2019, using the yield-to-call weighting of our portfolio as a source of capital for new positions.

Our bond holdings by rating were 19% BB, 62% B, 4% CCC, and 15% unrated. Canadian dollar positions comprised 67% of the portfolio. The performance, risk, and correlation metrics are detailed in the tables on page 3.

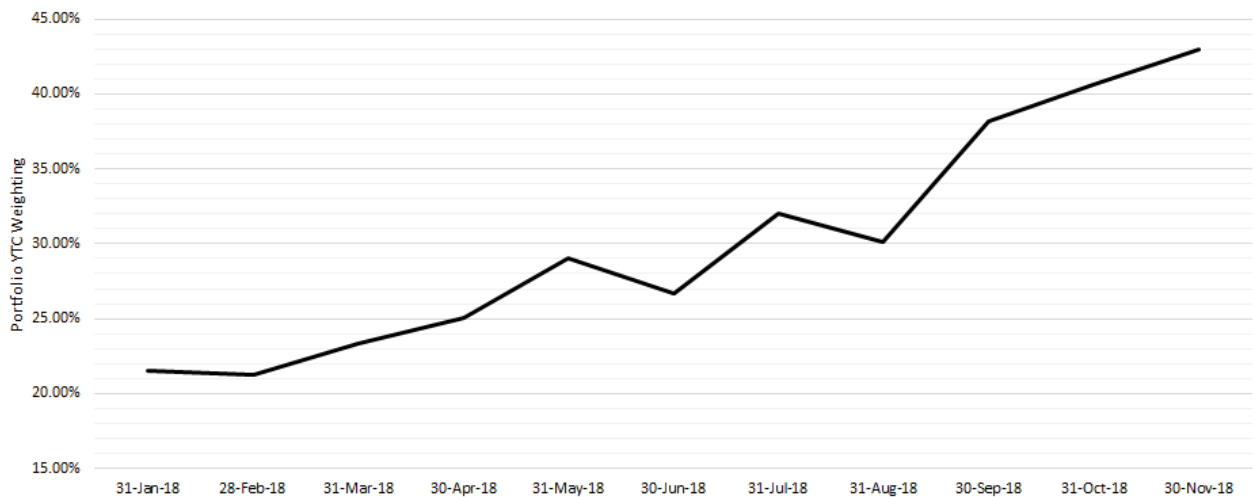
ICE BAML High Yield Index (H0A0) Yield-to-Maturity - 2018 YTD



NorthStream Portfolio Duration - 2018 YTD



NorthStream Yield-to-Call Portfolio Weighting - 2018 YTD





NorthStream Credit Strategies Fund LP

Monthly Commentary: November 2018

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%	0.30%	0.30%	-0.11%	-0.61%	-1.44%	-	1.54%
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: 30.99%

The NorthStream Credit Strategies Fund LP ("the Fund") launched on May 2, 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 Inc. Past performance is not indicative of future results. Performance, risk metrics, and correlations are as of November 30, 2018.

Performance & Risk Metrics	
Return Since Inception	30.99%
YTD	1.54%
1-YR Return	3.14%
Annualized Since Inception	11.01%
% of Positive Months	83.87%
Maximum Drawdown	-2.15%
Annualized Standard Deviation	3.93%
Sharpe Ratio ²	2.27

Correlation			
Index	XGB ³	TSX	S&P500
Correlation	-5.20%	36.67%	20.83%
Upside Capture	69.09%	77.29%	47.24%
Downside Capture ⁴	-121.38%	-19.26%	-18.65%

¹ ICE BAML High Yield Master II Index (H0A0).

² Using 1-year T-Bills.

³ iShares Canadian Government Bond Index ETF (XGB).

⁴ 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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