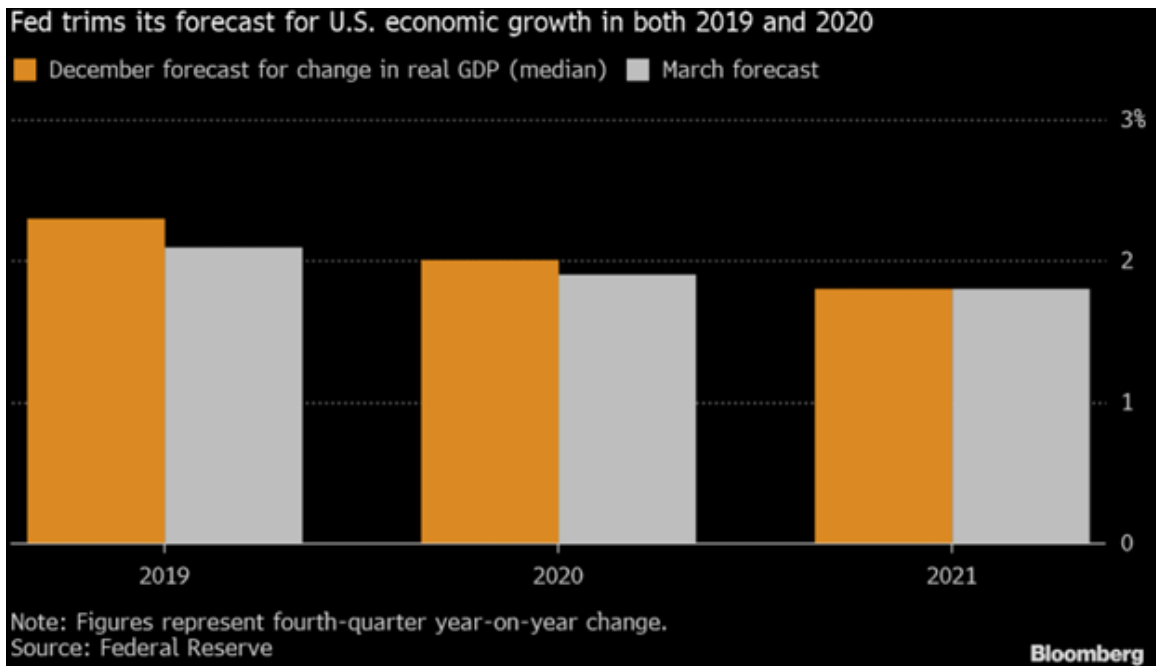


The NorthStream Credit Strategies Fund returned 0.41% for the month of March, as spreads on the high yield index widened 16 basis points, which was offset by the 28 bps appreciation of the US 5-year treasury bond to 2.23%.<sup>1</sup>

At the end of March, the three-month treasury bill yield rose above the yield for 10-year treasuries for the first time since 2007, generating concern that the US will head into a recession later in the year, or in 2020. The phrase “this time it might be different” could apply given the negative yields on government bonds in many parts of the world, making the US an attractive investment environment. Although economic growth in the US may taper relative to 2018 due to the impact of the government shutdown, the revised real GDP forecasts from the Fed shown below are favorable relative to Europe and Japan, potentially causing the recent robust demand for US treasuries.

**US Fed Lowers Real GDP Forecast**



Source: Bloomberg

As demonstrated during March, spreads on corporate bonds tend to widen during periods where economic growth is sluggish or if anticipated growth is potentially revised downward. Based on the Fed’s GDP forecast and a flattish yield curve, we expect the demand for corporate debt to remain positive. However, if growth estimates continue to be revised downward we would expect to see some stress on spreads. Currently there is a 27% probability of a rate cut in September 2019. Consequently, we will keep a close watch on the expected probability of US rate cuts in 2019 and modify the portfolio weightings and positioning accordingly.

In 2018, our portfolio positioning became increasingly defensive as risk factors became more apparent. We reduced our portfolio duration to 2.30yrs and created a ladder of maturities and event-driven opportunities that would provide a staggered source of liquidity. In December 2018, we had 7.5% of the portfolio that was called or matured. We used this source of liquidity to purchase attractively priced BB-rated companies in January and February as interest rates declined, and increased our portfolio duration to 3.00 years. In March, we sold some longer duration positions into the market strength and reduced our duration to 2.72 years at the end of the month.



## NorthStream Credit Strategies Fund LP

Monthly Commentary: March 2019

Currently we have 21% of the portfolio in “yield-to-call” positions that will be redeemed, called, or be eligible for a change of control put in the next 12 months. We have another 31% of the portfolio that will mature or will likely be called/retired before 2021. Our strategy is to keep our portfolio duration short and find more event-driven opportunities that will cause the portfolio to be less correlated with the broader market. Our ladder of maturities will provide us with the necessary liquidity to take advantage of market opportunities as they arise in the coming year.

Our bond holdings by rating were 2% BBB, 24% BB, 44% B, 12% CCC, and 18% unrated. Canadian dollar positions comprised 69% of the portfolio. 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
2019	1.08%	1.34%	0.41%	-	-	-	-	-	-	-	-	-	2.85%
2018	1.32%	0.01%	0.72%	0.72%	0.52%	-0.17%	0.30%	0.30%	-0.11%	-0.61%	-1.44%	-0.67%	0.85%
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: 33.82%**

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 March 31, 2019.

Performance & Risk Metrics	
Return Since Inception	33.82%
YTD	2.85%
1-YR Return	1.63%
Annualized Since Inception	10.50%
% of Positive Months	82.86%
Maximum Drawdown	-2.81%
Annualized Standard Deviation	3.82%
Sharpe Ratio <sup>2</sup>	2.31

Correlation			
Index	XGB <sup>3</sup>	TSX	S&P500
Correlation	-10.95%	37.77%	29.74%
Upside Capture	61.82%	60.14%	41.19%
Downside Capture <sup>4</sup>	-121.38%	-10.52%	-8.37%

<sup>1</sup> ICE BofAML US High Yield Index (H0A0).

<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.

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.