

The NorthStream Credit Strategies Fund returned -1.41% for the month of May, as credit spreads on the high yield index widened by 91 basis points.¹ The escalation of the trade war caused interest rates to drop as growth concerns increased the probability that the Fed will cut interest rates at the July meeting. At the beginning of May, the probability of a rate cut in July 2019 was 17.6%, increasing to 64% in the second week of June.

Risk assets have appreciated in June as the number of expected rate cuts has increased to two or more in 2019. As growth expectations have decreased we have a mixed, or different, signal from the equity market which has responded positively to the expected accommodation from the Fed. The sectors that have led the equity market higher are defensive sectors including real estate, consumer staples, consumer discretionary, and utilities. Cyclical industries have lagged in 2019 due to concerns of slowing growth in China and Europe. We continue to monitor the stability of commodity prices and cyclical industries as a signal that recession risks are contained. If we have an accommodative interest rate environment and recession risks are stable, we expect the remainder of 2019 to be a favourable environment for corporate bonds as government bonds offer low yields and muted upside.

Our portfolio positioning has the flexibility to take advantage of market opportunities. Currently, we have 34% 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. During May, we had realizations on two event-driven positions including a long position in the Eldorado Gold bonds maturing in 2020, which we purchased in February at \$97.25 and will be called at \$100 in June, and the Dorel Industries bonds maturing November 2019 that we purchased in April and May at \$98.25 and will be called in the coming month. Our ladder of maturities and event-driven positions will provide us with the necessary liquidity to take advantage of market opportunities as they arise in 2019.

Our bond holdings by rating were 2% BBB, 23% BB, 43% B, 10% CCC, and 22% unrated. Canadian dollar positions comprised 64% 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%	0.79%	-1.41%	-	-	-	-	-	-	-	2.21%
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: 32.98%

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 May 31, 2019.

Performance & Risk Metrics	
Return Since Inception	32.98%
YTD	2.21%
1-YR Return	-0.24%
Annualized Since Inception	9.68%
% of Positive Months	81.08%
Maximum Drawdown	-2.81%
Annualized Standard Deviation	3.93%
Sharpe Ratio ²	2.04

Correlation			
Index	XGB ³	TSX	S&P500
Correlation	-17.45%	41.95%	37.81%
Upside Capture	50.48%	57.44%	39.67%
Downside Capture ⁴	-124.28%	-2.29%	-0.50%

¹ ICE BofAML US High Yield 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.

