



NorthStream Credit Strategies Fund LP

Monthly Commentary: September 2019

The NorthStream Credit Strategies Fund returned 0.86% for the month of September, as we continued to have realizations on event-driven credit positions and reduced our weighting in BB-rated bonds. Gibson Energy's bonds were upgraded to investment grade, resulting in the bonds trading at a large premium to their next call price. We sold our position in the Gibson bonds maturing 2024, as it is our policy not to amortize bond premiums.

The combination of falling interest rates and tighter spreads on BB-rated bonds caused us to trim exposure to three BB-rated names that reached our price targets. These positions were trading at large premiums to par and above the next call price. Additionally, these portfolio positions had a longer duration than our overall portfolio duration of 2.1 years. Our portfolio duration decreased from 2.3 years in August 2019.

Our portfolio positioning has the flexibility to take advantage of market opportunities. Currently, we have 20% 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. These positions have the opportunity to benefit from call premiums as companies look to take advantage of current favourable financing conditions and lock in affordable fixed rate funding.

Our bond holdings by rating were 2% BBB, 26% BB, 39% B, 17% CCC, and 16% unrated. Canadian dollar positions comprised 68% of the portfolio. The performance, risk, and correlation metrics are detailed on the following page.

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%	1.00%	0.99%	-0.31%	0.86%	-	-	-	4.83%
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: 36.39%

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 September 30, 2019.

Note that the use of the XGB, TSX, and S&P 500 in the performance tables below is for informational purposes only. The XGB (iShares Canadian Government Bond Index ETF), TSX, and S&P 500 have a different composition than the Fund and are not comparable benchmarks. The XGB, TSX, and S&P 500 were chosen to compare the Fund's performance returns against other asset classes.

Performance & Risk Metrics	
Return Since Inception	36.39%
YTD	4.83%
1-YR Return	1.99%
Annualized Since Inception	9.51%
% of Positive Months	80.49%
Maximum Drawdown	-2.81%
Annualized Standard Deviation	3.78%
Sharpe Ratio ²	2.06

Correlation			
Index	XGB ³	TSX	S&P500
Correlation	-20.31%	41.66%	38.44%
Upside Capture	51.02%	56.68%	37.62%
Downside Capture ⁴	-122.44%	-2.29%	0.76%

¹ Bloomberg Barclays Global Aggregate Negative Yielding Debt Market Value BNYDMVU Index
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.

