

We are pleased to announce that the NorthStream Credit Strategies Fund LP was recognized at the 2019 Canadian Hedge Fund Awards, placing 2nd in the “Credit Focused - Best 3-Year Return” category with a 3-year return of 9.86%.

The fund was also placed 3rd in the “Credit Focused - Best 3-Year Sharpe Ratio” category with a ratio of 2.29. This marks the third year in a row that the fund has been a top contender in these categories.



The NorthStream Credit Strategies Fund returned -1.99% for the month of October. Approximately -100 basis points was due to our position in the Sherritt International 2021 bonds being marked down to \$47.5, a decline of \$14.5 points during the month. Over 50% of the Sherritt 2021 bonds are held by retail holders that have been sellers recently, albeit in small amounts. Institutionally, the Sherritt 2021 bonds have been bid at \$48 with no offerings available.

There are two near term potential catalysts that will increase cash available to repay the 2021 maturity. First, as nickel prices increase, Sherritt will participate in a disproportionate amount of the dividend payments above a certain threshold. Second, negotiations will commence to increase the Cuban Payment Plan from the current run rate of US\$2.5 million per month. The expected timing for finalizing negotiations on these payments with the Cuban government is December.

In August 2019, Indonesia brought forward a nickel ore export ban by two years and will stop delivering low-grade ore as of January 2020. This announcement contributed to a 21% rise in realized nickel prices for Sherritt in Q3 2019 versus Q2 2019. Since the end of Q3 2019, nickel prices have settled in around US \$7.00 per pound. With higher nickel prices, the Q4 2019 earnings release in January will show the ability of the Moa mine to generate increasing amounts of free cash flow in the current commodity environment. We believe the Sherritt bonds maturing 2021 have significant asset protection and catalysts that will increase available free cash flow that can be used to reduce debt and address the 2021 bond maturity.

Our portfolio positioning has the flexibility to take advantage of market opportunities. Currently, we have 29% 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 24% 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, 27% BB, 37% B, 17% CCC, and 17% unrated. Canadian dollar positions comprised 71% of the portfolio. The performance, risk, and correlation metrics are detailed on the following page.



NorthStream Credit Strategies Fund LP
Monthly Commentary: October 2019

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%	-1.99%	-	-	2.74%
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: 33.67%

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 October 31, 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	33.67%
YTD	2.74%
1-YR Return	0.58%
Annualized Since Inception	8.65%
% of Positive Months	78.57%
Maximum Drawdown	-2.81%
Annualized Standard Deviation	4.01%
Sharpe Ratio ¹	1.72

Correlation			
Index	XGB ²	TSX	S&P500
Correlation	-16.53%	42.29%	33.92%
Upside Capture	51.02%	56.68%	34.07%
Downside Capture ³	-105.28%	6.99%	0.76%

¹ Using 1-year T-bills.

² iShares Canadian Government Bond Index ETF (XGB).

³ 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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