

The NorthStream Credit Strategies Fund returned +2.36% for the month of October compared to a +0.27% increase in the high yield market and a -2.69% decline in the S&P 500. The gains in the portfolio were from several positions, including our cyclical names such as Tervita and Sherritt. Last week Tervita announced a tender offer for the bonds maturing in 2021 and concurrently issued a new bond to extend its debt maturity schedule. Tervita is the largest Canadian environmental solutions provider, administering waste processing, treating, recycling and disposal services to customers in the oil & gas, mining, and industrial sectors. Over 80% of its revenue is recurring and it is one of the leading beneficiaries of the \$1.7 billion federal government program to help clean up orphaned and abandoned oil and gas wells in Alberta, Saskatchewan and B.C. Tervita has consistently generated positive free cash flow and continues to do so in 2020 which has allowed it to reduce debt. The equity and credit markets have ignored the company’s financial performance and categorized it as another energy services company that cannot attract capital. Eventually investors recognize that fundamentals and the return on invested capital do matter.

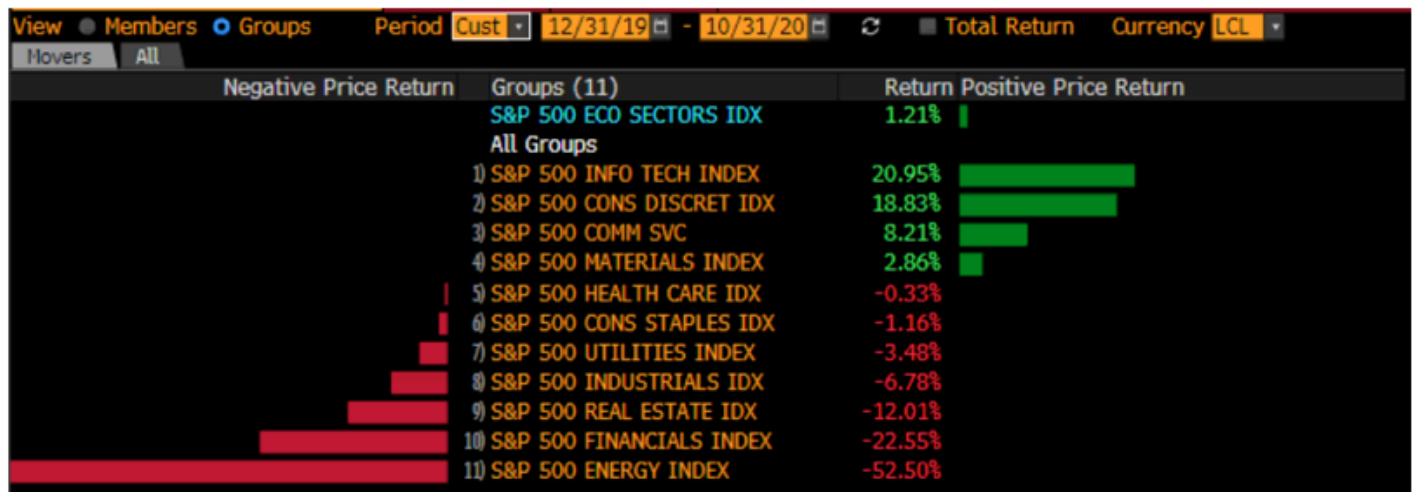
Tervita’s bonds maturing in 2021 have come a long way from the depths of April & May as shown in the chart below. At the end of October, the Tervita bonds were marked at \$96.38 relative to the announced tender price of \$100.25, further contributing to the portfolio performance in November.

Tervita Corporation 7.625% 2nd Lien Bonds Maturing 12/01/2021



The US election did not deliver the expected blue wave. Although a divided government under Biden was an unexpected outcome and potentially less inflationary, the stock market did not sell-off and the US 10-year Treasury bond yield continues to drift higher. The steepening yield curve and the sector rotation away from technology suggests we may have reflation on the horizon and potentially a change in sector leadership. For the first ten months of 2020, only four sub-sectors have had positive performance including information technology (+20.95%), consumer discretionary (+18.83%), communication services (+8.21%), and materials (+2.86%).

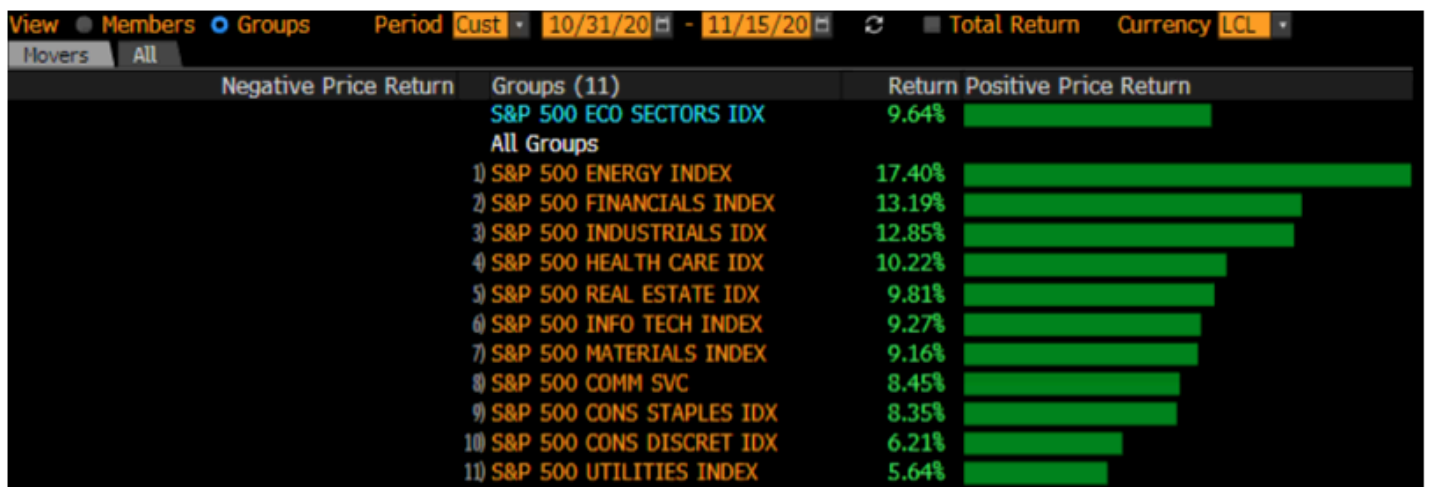
S&P Sector Performance Year to Date



As of October 31, 2020

So far in November there has been a sector rotation into energy (+17.40%) and financials (+13.19%) as shown in the chart below.

S&P Sector Performance – November 2020



As of November 15, 2020

On November 9th, the energy sector had its second biggest move in 2020, gaining +14.22% and traded above its 50-day moving average (DMA) for the first time in 61 trading days. As we mentioned previously, information technology does not represent a material weighting in high yield bond indexes. We believe the cyclical names in the portfolio have attractive upside potential in an environment where we have a steepening yield curve and the possibility of reflation. Approval of a vaccine that is widely distributed in the first half of 2021 and/or a sizeable US stimulus program would add to the inflationary trend underway. This scenario would be positive for the portfolio with names such as Ensign Drilling and Sherritt, providing significant potential upside.

Our bond holdings by rating were 37% BB, 20% B, 25% CCC, and 18% unrated. Canadian dollar positions comprised 69% of the portfolio.

NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.32%	-0.43%	-14.44%	0.43%	1.03%	3.67%	1.01%	2.99%	1.88%	2.36%	-	-	-2.48%
2019	1.08%	1.34%	0.41%	0.79%	-1.41%	1.00%	0.99%	-0.31%	0.86%	-1.99%	0.01%	0.75%	3.53%
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%

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.







Return Since Inception: 31.36%

Performance & Risk Metrics			
Return Since Inception	31.36%		
YTD	-2.48%		
1-YR Return	-1.73%		
Annualized Since Inception	6.25%		
% of Positive Months	79.63%		
Maximum Drawdown	-14.81%		
Annualized Standard Deviation	8.28%		
Sharpe Ratio ¹	0.730		
Correlation			
Index	XGB ²	TSX	S&P500
Correlation	1.90%	67.11%	49.83%
Upside Capture	62.07%	49.52%	28.61%
Downside Capture ³	-32.24%	27.82%	19.18%

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.

		
		
WINNER OF THE 2019 CANADIAN HF AWARDS Credit Focused Best 3 Year Return 2nd Place	WINNER OF THE 2019 CANADIAN HF AWARDS Credit Focused Best 3 Year Sharpe Ratio 3rd Place	WINNER OF THE 2018 CANADIAN HF AWARDS Credit Focused Best 1 Year Return 2nd Place

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