

The NorthStream Credit Strategies Fund returned -0.20% for the month of July. The US economy experienced rapid economic growth, strong job gains and high inflation in the past month. Commodities have recently pulled back despite inflation breakevens drifting slightly higher over the past month as shown in the table below.

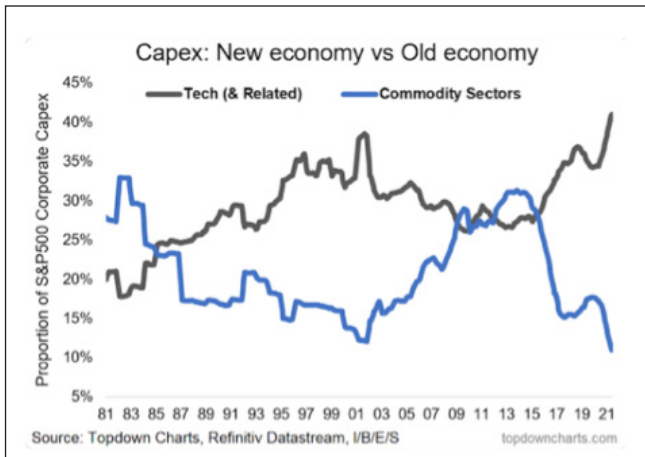
US Inflation Breakeven Rates 1 Month Change – 08/10/2021

Breakevens		Inflation Monitor		Inflation Indices	
Term	All	Country/Region	US	Type	Nominal Bond v Inflation Bond
Period	1 Mo % Ch	Pricing Status	Actives		
1 Month % Change					
		1) US Breakeven 7 Year		9.03	
		2) US Breakeven 6 Year		7.70	
		3) US Breakeven 9 Year		6.52	
		4) US Breakeven 8 Year		6.44	
		5) US Breakeven 5 Year		3.95	
		6) US Breakeven 10 Year		3.87	
		7) US Breakeven 4 Year		2.57	
		8) US Breakeven 20 Year		2.39	
		9) US Breakeven 30 Year		1.95	
		10) US Breakeven 3 Year		0.92	
		11) US Breakeven 2 Year		-1.92	

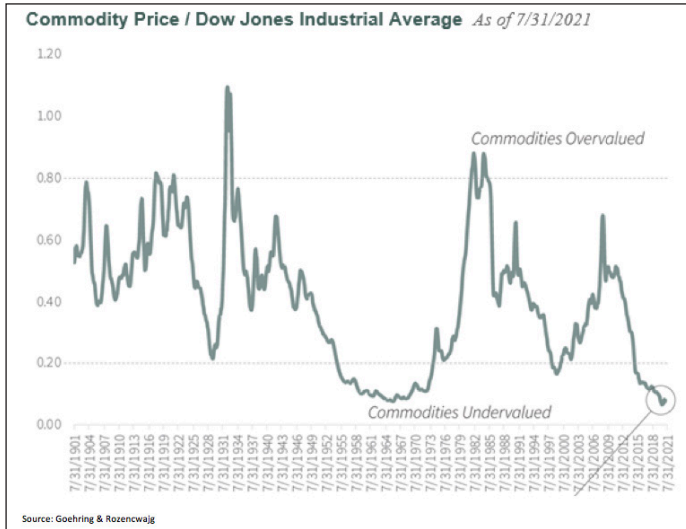
Source: Bloomberg

The US 10-year treasury bond yield declined 25 basis points in July to yield 1.22%, during a period of strong economic growth. This brings the real yield on US 10-year Treasuries to a recent low of -1.2%. It is quite surprising to see real yields at new lows while the economy recovers.

A potential explanation for the decline in nominal & real yields is due to the Fed buying longer term Treasury securities, as part of the \$80 billion monthly Treasury purchases. Low nominal rates support the Fed’s narrative that inflation is transitory and the demand for longer duration assets. Eventually the Fed will start raising short term interest rates to keep inflation in check. At that point the longer dated treasuries will not be as attractive to investors as the shorter bond maturities offer some yield.



Currently the capital investment in materials & commodities is below the historical run rate creating a potential supply shortage in the future. The chart on the left shows that commodity capital spending as a proportion of all S&P 500 capex has plunged to record lows and tech capex has reached new all-time highs.



If we look at the value of real assets relative to financial assets over many decades, commodities have never been as undervalued as they are now as shown in the table on the left. Typically, the catalyst for commodity appreciation has been changes in monetary policy.

We believe that exposure to cyclicals through corporate bonds is attractive due the free cash flow generated at current commodity prices. Additionally, these bonds have a relatively short duration and upside in an inflationary environment. We view this as an attractive investment opportunity, with an asymmetrical return profile.

NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	10.84%	4.70%	4.87%	-0.06%	1.23%	4.20%	-0.20%	-	-	-	-	-	28.03%
2020	0.32%	-0.43%	-14.44%	0.43%	1.03%	3.67%	1.01%	2.99%	1.88%	2.36%	2.18%	9.47%	9.09%
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 July 31, 2021. Note that the use of the XGB, TSX, and S&P 500 in the performance tables below is for informational purposes only. The XGB (Shares 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: 88.13%

Performance & Risk Metrics	
Return Since Inception	88.13%
YTD	28.03%
1-YR Return	53.82%
Annualized Since Inception	12.79%
% of Positive Months	79.37%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	10.09%
Sharpe Ratio ¹	1.24

Correlation			
Index	XGB ²	TSX	S&P500
Correlation	-13.53%	53.35%	39.32%
Upside Capture	100.52%	59.46%	38.53%
Downside Capture ³	-113.73%	6.54%	-1.75%

¹ Using 1-year T-bills.
² Shares 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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