



**NorthStream Credit Strategies Fund LP**  
*Monthly Commentary: December 2021*

The NorthStream Credit Strategies Fund returned +0.08% for the month of December and +32.94% for 2021. The annual return for the high yield index was +4.12%. Our excess return for the portfolio was 2882 basis points due to the higher weighting of cyclical and commodity related companies and realization on numerous event-driven opportunities. In the 68 months since inception, the fund has returned +95.36% with a positive month ratio of 78%. During the same period the TSX has generated a return of +72.77% with 72% of the months positive. Comparatively, the high yield index has returned +38.36% with 72% of the months positive over the same period.

Previously we have highlighted the tax efficiency of the fund with the goal of generating more than 1/3 of the return from capital gains. As we are all aware – it's not just how much you make, it's all about what you get to keep. In 2021 approximately 2/3 of the investment return was from capital gains in an environment where interest rates were rising. Additionally, a significant amount of those capital gains will be deferred into 2022 or beyond. We will share additional information on the portion of the 2021 investment return from capital gains and interest income once the T5013 tax slips are finalized.

The new year has started with investors selling US 10-year treasuries immediately after returning from holidays, increasing 20 basis points to yield 1.72% as inflation data such as December CPI increased 7% year over year. Long duration assets like technology stocks and investment grade debt have sold off with the rise in interest rates. The only sectors that are positive to date are energy and financials.

If the inflation data continues to be strong there is the risk that the Fed will need to move quicker to tackle an overheating economy. We believe that there is a reasonable probability that the inflation data will persist into the first half of 2022, which may push the Fed to raise sooner than expected or increase the number of rate hikes in 2022. In the case the Fed chooses to tighten faster or more than 75 basis points, we would expect to see greater volatility in rates, equities, and credit spreads. We have positioned the portfolio to take advantage of the potential volatility by shortening the portfolio duration to 2.5 years, increasing cash balances, and remaining overweight positions in cyclical and commodity related companies.

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%	-0.55%	3.78%	1.09%	-0.56%	0.08%	<b>32.94%</b>
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%	<b>9.09%</b>
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%	<b>3.53%</b>
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%	<b>0.85%</b>
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%	<b>10.46%</b>
2016	-	-	-	-	0.49%	0.81%	3.40%	2.98%	2.29%	2.12%	0.75%	2.88%	<b>16.80%</b>

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 December 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 (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: 95.36%**

Performance & Risk Metrics	
Return Since Inception	95.36%
YTD	32.94%
1-YR Return	32.94%
Annualized Since Inception	12.54%
% of Positive Months	77.94%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	9.83%
Sharpe Ratio <sup>1</sup>	1.20

  

Correlation			
Index	XGB <sup>2</sup>	TSX	S&P500
Correlation	-15.79%	50.55%	35.12%
Upside Capture	92.11%	54.70%	35.13%
Downside Capture <sup>3</sup>	-119.54%	-0.16%	-7.59%

<sup>1</sup> Using 1-year T-bills.  
<sup>2</sup> iShares Canadian Government Bond Index ETF (XGB).  
<sup>3</sup> 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.

**NorthStream Credit Strategies Fund LP**

WINNER OF THE 2021 CANADIAN HF AWARDS

**Credit Focused**

Best 1 Year Return

**1st Place**

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WINNER OF THE 2021 CANADIAN HF AWARDS

**Credit Focused**

Best 3 Year Return

**1st Place**

**NorthStream Credit Strategies Fund LP**

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**Credit Focused**

Best 5 Year Return

**1st Place**

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