

The NorthStream Credit Strategies Fund returned +1.35% for the month of January in a difficult environment for all asset classes. The yield on US 10-year Treasuries moved significantly higher in January, increasing from 1.51% at the end of 2021 to 1.78%. US inflation continued to rise in January with CPI increasing 7.5% year over year, increasing the probability of aggressive rate hikes in 2022. The rate of inflation in the US is the highest level in almost 40 years. The US 10-year has recently risen above 2% putting pressure on all long duration assets.

The US high yield index was down -2.92% and the US investment grade bond index was down -3.84% for the month. The S&P 500 declined -5.26% in January with only the energy sector experiencing a gain of +18.97%. The weighting of the S&P energy sector is only 3.46% relative to information technology, the largest sub-sector with a weighting of 28.12%. Given inflation is running at 40-year highs it is unlikely we see an inflation target of 2-3% being achieved in 2022, creating risk of further price declines in long duration assets.

**S&P Sector Performance – January 2022**



Source: Bloomberg

In early January we took advantage of strong market conditions to raise cash by selling over 20% of our portfolio positions at their highs. We sold all our long duration BB rated positions and sold 55% of our position in the Baytex 8.75% Senior Notes maturing in April 2027 at a price of \$108 (which was the January 2022 high). These position sales reduced the portfolio duration to 2.3 years and allowed the large capital gain in Baytex Energy and the other gains on the BB bonds to be deferred into 2023.

The challenge for investors is whether inflation rates remain elevated for a longer period. Under that scenario many fixed income assets and dividend stocks will experience a negative real return if inflation persists above 3%. Canadian inflation is running at lower levels than the US, closer to 5% now. After the January position sales mentioned above, the current yield on the portfolio is 6.7% after fees and expenses, which provides a positive real return to investors with the opportunity for capital gains on our 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
2022	1.35%	-	-	-	-	-	-	-	-	-	-	-	1.35%
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%	32.94%
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 January 31, 2022. 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: 98.00%

Performance & Risk Metrics	
Return Since Inception	98.00%
YTD	1.35%
1-YR Return	21.57%
Annualized Since Inception	12.61%
% of Positive Months	78.26%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	9.76%
Sharpe Ratio <sup>1</sup>	1.19


  

Correlation			
Index	XGB <sup>2</sup>	TSX	S&P500
Correlation	-15.26%	50.44%	34.24%
Upside Capture	92.11%	54.70%	35.13%
Downside Capture <sup>3</sup>	-111.25%	-2.80%	-9.47%

<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**




**NorthStream Credit Strategies Fund LP**

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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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