

The NorthStream Credit Strategies Fund returned +3.81% for the month of April in yet another difficult month for all asset classes. The U.S. high yield index was down -3.99% and the U.S. investment grade bond index was down -6.61% for the month. The S&P 500 declined -8.74% in April with only the consumer staples sector experiencing a gain of +2.4%. The yield on the U.S. 10-year treasury increased 59 basis points in April to yield 2.93%. The worst bond rout in decades hit a new milestone in May, with the yield on the 10-year treasury reaching 3% for the first time since late 2018.

The U.S. bond market has had positive returns before inflation in all but four years since 1976. The rapid rise in inflation and interest rates is impacting the value of most risk assets with commodities being one of the few sectors experiencing gains. The correction in the investment grade and high yield bond markets has been mostly caused by the shift in the yield curve with a modest widening of spreads to date. Corporate credit spreads are not suggesting that a recession is a high probability yet, however it will be a closely watched signal. Widening credit spreads tend to be a good indicator of tightening financial conditions and risk to the economy.

The impact of interest rates on the investment grade bond market has been significant, experiencing a decline of -14.41% in the first four months of 2022. Comparatively the investment grade bond market experienced a decline of only -6.82% in 2008 due to falling interest rates.

We have been tracking the level of speculative excess in the credit and equity markets by following companies such as theater operator AMC Entertainment which has a grossly inflated valuation. In February 2022, AMC Entertainment raised \$950 million from the sale of the CCC rated 7.5% bonds maturing in 2029. In March 2022 AMC Entertainment announced its investment of \$28 million in the Hycroft gold mine which caused the stock to double in the period of a week. The EV/EBITDA multiple increased to 36x compared to 6.5x for Cineplex.

AMC Entertainment Holdings - 1 Year Chart



Source: Bloomberg

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We have positioned the portfolio to take advantage of the potential volatility by shortening the portfolio duration to 2.3 years, increasing cash balances to approximately 30%, and remaining overweight positions in cyclical and commodity related companies. We welcome the potential volatility in credit markets as it typically presents outstanding investment opportunities.

NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	1.35%	0.24%	5.67%	3.81%	-	-	-	-	-	-	-	-	11.44%
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 April 30, 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: 117.71%

Performance & Risk Metrics			
Return Since Inception	117.71%		
YTD	11.44%		
1-YR Return	21.81%		
Annualized Since Inception	13.84%		
% of Positive Months	79.17%		
Maximum Drawdown	-14.81%		
Annualized Standard Deviation	9.81%		
Sharpe Ratio ¹	1.17		
Correlation			
Index	XGB ²	TSX	S&P500
Correlation	-22.14%	47.84%	30.36%
Upside Capture	92.11%	57.65%	37.52%
Downside Capture ³	-120.00%	-9.53%	-14.47%

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.

 <p>NorthStream Credit Strategies Fund LP</p> <p>WINNER OF THE 2021 CANADIAN HF AWARDS Credit Focused Best 1 Year Return 1st Place</p>	 <p>NorthStream Credit Strategies Fund LP</p> <p>WINNER OF THE 2021 CANADIAN HF AWARDS Credit Focused Best 3 Year Return 1st Place</p>	 <p>NorthStream Credit Strategies Fund LP</p> <p>WINNER OF THE 2021 CANADIAN HF AWARDS Credit Focused Best 5 Year Return 1st Place</p>
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