

The NorthStream Credit Strategies Fund returned +0.75% for the month of May and +12.53% for the last twelve months. Interest rates moved higher with the yield on 5-year Canadian government bonds increasing from 2.97% to 3.44% at the end of May. The Bank of Canada rate increase of 25 bps on June 7th was caused by stickiness of core inflation, bringing the overnight rate to 4.75%. The futures market for the July 12th Bank of Canada meeting shows a 68% probability of another 25-basis point rate hike which would take the policy rate up to 5%, the highest since 2001. The narrative change from “the central bank is at the end of its hiking cycle” and anticipation of when rate cuts will begin is now migrating to a “higher for longer” narrative with rate cuts being more of a 2024 story. The change in expectations caused yields on five-and ten-year government bonds to increase in both Canada and the US.

The impact of a higher for longer environment has a silver lining for investors in corporate bonds, *that being higher coupons*. The average coupon on new debt being issued is in the high single digits now for high yield rated companies that need to refinance or issue term debt. The years where interest rates were very low allowed companies to issue longer duration bonds with quite low coupons ranging from ~1% to 5% depending on the credit rating. Those low coupons accentuated the correction in corporate bonds last year as it increased the sensitivity to changes in interest rates of these high yield bonds. Although the low coupon bonds are now trading at a discount to par, quite often the current yield is not much more than the risk-free rate.

Gradually the inventory of bonds issued prior to 2022 with low coupons are being replaced with higher coupon bonds. For example, Propane distributor Amerigas Partners which is rated B1/BB- came to market in May with a new bond yielding 9.375% maturing on 06/01/2028 with a spread of 561 basis points over benchmark government bonds. The newly issued note retired an existing Amerigas bond with a coupon of 5.625% that was due to mature in May of 2024.

Superior Plus which is also a propane distributor has outstanding bonds rated Ba3/BB- that were issued in April of 2021 with a coupon of 4.25% maturing 05/18/2028. At a secondary market price of ~\$89 the bonds have a current yield of 4.8% and a yield to maturity of 6.9%. **Overall, we view the higher for longer environment as a positive development for the corporate bond market as it will result in a higher average coupon for the high yield bond index.**

NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	0.69%	2.65%	0.50%	0.49%	0.75%	-	-	-	-	-	-	-	5.17%
2022	1.35%	0.24%	5.67%	3.81%	3.74%	2.09%	-0.95%	-1.33%	-0.62%	1.39%	3.25%	3.09%	23.70%
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 May 31, 2023. 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: 154.15%

Performance & Risk Metrics	
Return Since Inception	154.15%
YTD	5.17%
1-YR Return	12.53%
Annualized Since Inception	14.07%
% of Positive Months	78.82%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	9.27%
Sharpe Ratio ¹	1.01

Correlation			
Index	XGB ²	TSX	S&P500
Correlation	-19.56%	39.46%	24.71%
Upside Capture	75.89%	52.52%	35.18%
Downside Capture ³	-116.74%	-16.09%	-17.67%

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.

2022 CANADIAN HF AWARDS

NorthStream Credit Strategies Fund LP

WINNER OF THE 2022 CANADIAN HF AWARDS

Credit Focused

Best 1 Year Return	Best 3 Year Return	Best 5 Year Return
1st Place	1st Place	1st Place
Best 3 Year Sharpe Ratio	Best 5 Year Sharpe Ratio	
1st Place	1st Place	

- 1 Year Return 22.31%
- 3 Year Return 19.74%
- 5 Year Return 13.73%

- 3 Year Sharpe Ratio 1.38
- 5 Year Sharpe Ratio 1.19

Awards are based solely on quantitative performance data to June 30 2022.

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