

The NorthStream Credit Strategies Fund returned +0.03% for the month of November, +8.91% year-to-date and +12.28% for the last twelve months.

## Where will Bond Yields Go from Here?

The US bond market experienced a notable gain in November with the yield on US 10-year Treasuries declining from 4.93% to 4.32%. The yield on the US-10 year tightened another ~35 bps in December to yield about 3.95%. What sparked this notable rally other than the October 30<sup>th</sup> Barron's Article titled "Time to Buy Bonds" and confirmation from individuals including Bill Gross?

The article was published shortly after the 16-year high of 5.02% reached on October 23<sup>rd</sup>, 2023. The US October CPI data released on November 14<sup>th</sup> was below the month-over-month forecast of 0.1% coming in at 0.0%. The CPI ex-food and energy year-over-year was also 0.1% below forecast coming in at 4.0%. The unexpected beat of one decimal point on CPI extended the rally in equities and a further decline in bond yields. The soft-landing narrative received a data point that was viewed as supportive of the widely held desire to buy longer duration bonds.

On December 12<sup>th</sup> the November CPI figures were released with month-over-month CPI being 0.1% higher than the forecast of 0.0% and CPI ex-food and energy year-over-year remaining at 4.0%. The market reaction was a further decline in yields on the heels of the Fed indicating they see the Fed Funds rate ending 2024 at 4.625%, materially lower than the 5.125% penciled in back in September. In maintaining the target interest rate at 5.375% on December 13<sup>th</sup>, the policy rate is also ending the year 25bps lower than where officials expected just a couple of months ago.

How much is left in this bond market rally? If we look at the 2024 Bloomberg forecasts for bond yields, we see the yield on the US-10 year Treasury declining modestly to 3.91% and the Fed Funds Rate falling by about 100 bps. See the table below.

### US Bond Yield Forecasts

	Rate	Mkt Yld	Q4 23	Q1 24	Q2 24	Q3 24	Q4 24	Q1 25	Q2 25	Q3 25	Q4 25	Q1 26
United States												
1)	US 30-Year	4.27	4.69	4.52	4.38	4.25	4.16	4.06	4.01	4.02	4.09	4.01
2)	US 10-Year	4.17	4.54	4.33	4.19	4.03	3.91	3.83	3.79	3.78	3.76	3.73
3)	US 5-Year	4.19	4.56	4.34	4.13	3.91	3.74	3.61	3.56	3.54	3.53	3.48
4)	US 2-Year	4.70	4.90	4.67	4.36	4.05	3.79	3.60	3.46	3.36	3.28	3.21
5)	US 3-Month Term SOFR	5.38	5.39	5.29	5.04	4.75	4.44	4.05	3.83	3.65	3.41	3.40
6)	Fed Funds Rate - Upper Bound	5.50	5.50	5.45	5.20	4.85	4.45	4.00	3.70	3.55	3.35	3.25
7)	Fed Funds Rate - Lower Bound	5.25	5.25	5.20	4.96	4.60	4.19	3.77	3.47	3.30	3.11	2.99
	2 Year - 10 Year Spread	-0.52	-0.36	-0.33	-0.17	-0.02	0.11	0.23	0.33	0.41	0.49	0.52

Source: Bloomberg

How useful are the Bloomberg forecasts? Don't bank on them as only three of 40 forecasters got it right in 2023. The most accurate US bond forecasters of 2023 say the strong year-end rally won't stretch into 2024. Goldman Sach's Praveen Korapaty, the bank's chief interest-rate strategist, and Joseph Brusuelas, the top economist at tax consulting firm RSM, both predict that the 10-year Treasury yield will climb to

about 4.5% by the end of next year. BMO Capital Markets' Scott Anderson sees it ending 2024 only little changed from where it's been hovering around 4.2% prior to FOMC meeting.

The three were the only ones among the 40 economists and strategists surveyed by Bloomberg who correctly predicted that the benchmark Treasury rate would rise over 4% to end this year near its current level.

The yield curve inversion has lasted for 17 months. Peak yield curve inversion was -108 bps in March 2021 and the 2-year vs 10-year yield curve inversion has narrowed to -37 bps. We believe the yield curve inversion will end in 2024 as the lag effect of higher rates will have an impact on growth and consumption.

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%	1.10%	0.46%	0.81%	0.68%	0.43%	0.03%	-	8.91%
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 November 30, 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: 163.20%

Performance & Risk Metrics	
Return Since Inception	163.20%
YTD	8.91%
1-YR Return	12.28%
Annualized Since Inception	13.61%
% of Positive Months	80.22%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	8.98%
Sharpe Ratio <sup>1</sup>	1.30


  

Correlation			
Index	XGB <sup>2</sup>	TSX	S&P500
Correlation	-18.94%	37.68%	23.27%
Upside Capture	70.17%	48.75%	32.51%
Downside Capture <sup>3</sup>	-113.10%	-17.10%	-18.32%

<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 2023 CANADIAN HF AWARDS

### Credit Focused

Best 3 Year Return	Best 5 Year Return
<b>1st Place</b>	<b>1st Place</b>
Best 3 Year Sharpe Ratio	Best 5 Year Sharpe Ratio
<b>2nd Place</b>	<b>1st Place</b>

- 3 Year Return 28.51%
- 5 Year Return 14.07%
- 3 Year Sharpe Ratio 2.62
- 5 Year Sharpe Ratio 1.14

Awards are based solely on quantitative performance data to June 30 2023.