



NorthStream Credit Strategies Fund LP

Monthly Commentary: February 2024

The NorthStream Credit Strategies Fund returned +0.14% for the month of February, and +6.09% for the last twelve months.

The North American economy continues to be resilient, resulting in strong employment figures in February. Canada added a higher-than-expected 41k jobs in February and US nonfarm payrolls beat estimates of 200k with 275k jobs added. North American consumers are working and continue to spend which is causing inflation to be stickier than expected. Underlying US inflation topped forecasts for a second month in February as prices jumped for used cars, air travel and clothes, reinforcing the Federal Reserve's cautious approach to cutting interest rates. The core consumer price index, which excludes food and energy costs, increased 0.4% from January, and is up 3.8% year over year. The underlying PCE inflation has stalled in the ~3% range and services ex-shelter PCE inflation is trending higher at around 4.5%.

Expectations for rate cuts continue to be pushed out with the futures market predicting the first cut in Canada and the US occurring in June or July. The US Presidential election creates a complication for the Fed in that it does not want to be perceived to act in support of any party. We expect they will be cautious to make any interest rate decisions at the September and November FOMC meetings. This could result in fewer than three rate cuts in the US unless inflation declines significantly in the next two months.

David Einhorn, the founder of Greenlight Capital was recently interviewed on the *Bloomberg Masters in Business* podcast where he discussed the structural changes in the equity markets that resulted in modifying how the firm allocated capital. He commented that value investing has changed in that they could no longer count on other long only investors buying after they establish a position. They are now allocating capital to companies that generate free cash flow yields in the teens that have active share repurchase programs. He stated, "We are going to have to get paid by the company".

Our event driven credit strategy has focused on opportunities where there is a catalyst or incentive for the company to retire the debt before maturity. Most of our positions are realized by the company "paying" us to exit the position. We invest in companies that generate high rates of free cash flow and view them as being in control of their own destiny. These companies are not dependent on the credit or equity markets for funding and can choose how to return capital to stakeholders. Energy and energy services have been sectors where the companies have generated significant free cash flow and have chosen to reduce the amount of outstanding debt. Our exposure to energy services has declined in the last quarter as our positions in the bonds of Canadian Energy Services, Ensign Drilling and Secure Energy Services have been retired with excess free cash flow as the sector continues to focus on debt reduction.

NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	0.55%	0.14%	-	-	-	-	-	-	-	-	-	-	0.69%
2023	0.69%	2.65%	0.50%	0.49%	0.75%	1.10%	0.46%	0.81%	0.68%	0.43%	0.03%	-0.02%	8.89%
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 February 29, 2024. 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: 164.96%


Performance & Risk Metrics	
Return Since Inception	164.96%
YTD	0.69%
1-YR Return	6.09%
Annualized Since Inception	13.25%
% of Positive Months	79.79%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	8.85%
Sharpe Ratio ¹	1.27

Correlation			
Index	XGB ²	TSX	S&P500
Correlation	-18.95%	36.98%	22.33%
Upside Capture	65.96%	47.26%	31.04%
Downside Capture ³	-109.97%	-17.10%	-18.32%

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.



NorthStream Credit Strategies Fund LP

WINNER OF THE 2023 CANADIAN HF AWARDS

Credit Focused

Best 3 Year Return 1st Place	Best 5 Year Return 1st Place
Best 3 Year Sharpe Ratio 2nd Place	Best 5 Year Sharpe Ratio 1st Place

2023 CANADIAN HF AWARDS

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

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

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