



## NorthStream Credit Strategies Fund LP

Monthly Commentary: April 2024

**The NorthStream Credit Strategies Fund returned +0.51% for the month of April, and +5.79% for the last twelve months.**

The high yield bond market declined 1% in April as the yield on the US 10-year rose 47 basis points, to reach a recent high of almost 4.70%. The surprising resiliency of the economy and recent stickiness in inflation caused Powell's message at the May 1st FOMC meeting to be that *"rate cuts will be delayed but not derailed"*. The Fed's forecast of three rate cuts in 2024, issued at the time of the March FOMC meeting is now migrating to no rate cuts until the fall. The Fed Funds Futures show one or two rate cuts for the remainder of the year. The out of consensus view of *higher-for-longer* is starting to gain traction. Returns for most asset classes were challenged as markets moved expectations for rate cuts down and into 2025.

The fund took advantage of the market volatility to add three new positions. Summit Midstream Partners is a public Midstream company with assets in the Permian, DJ Basin, Piceance Basin, Williston Basin, Marcellus Shale. Approximately 75% of revenues are tied to the gathering and processing of natural gas with 95% of revenues being fee based. The company recently announced a \$625MM asset sale with the disposition of Summit Midstream Utica on March 22, 2024.

The Fund purchased the Summit 9.5% 2nd lien notes maturing in 2026 due to having several onerous covenants including coupon step-ups and mandatory excess cash flow repurchase offers. The bonds offer an attractive yield of approximately 9% at a price of \$102.50 with a rating by S&P of BB-. We expect the company to use the proceeds of the asset sale to retire debt at the call price of \$104.25 until October 15<sup>th</sup>, 2024 or after that date at \$102.125.

The other two positions added to the portfolio are high coupon convertible bonds in the real estate sector with maturities in 2025. These two bonds have conversion price premiums of approximately 20% providing optionality on improvements in real estate valuation. Both bonds were purchased at or below par value. The spread on BBB rated commercial mortgage-backed real estate debt has tightened recently to 745 basis points from its peak of 969 basis points on January 8<sup>th</sup>, however funding costs are still onerous, particularly in the office segment. We continue to cautiously add market risk in shorter duration bonds as the impact of higher rates has not been reflected in credit spreads yet.

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%	0.21%	0.51%	-	-	-	-	-	-	-	-	1.41%
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 April 30, 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: 166.85%

Performance & Risk Metrics			
Return Since Inception	166.85%		
YTD	1.41%		
1-YR Return	5.79%		
Annualized Since Inception	13.05%		
% of Positive Months	80.21%		
Maximum Drawdown	-14.81%		
Annualized Standard Deviation	8.76%		
Sharpe Ratio <sup>1</sup>	1.25		
Correlation			
Index	XGB <sup>2</sup>	TSX	S&P 500
Correlation	-18.50%	36.57%	22.24%
Upside Capture	65.79%	46.14%	30.67%
Downside Capture <sup>3</sup>	-106.80%	-17.35%	-18.23%

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

2023 CANADIAN HF AWARDS

- 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.

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