

The NorthStream Credit Strategies Fund returned -0.36% for the month of June, and +3.87% for the last twelve months.

The fund took advantage of the weakness in the Canadian listed bank preferred shares in June by purchasing a ladder of bank preferred shares with rate reset dates over the next five months. The weakness was caused by redemptions in preferred share funds on the heels of the 25 bps rate cut by the Bank of Canada in early June. Historically, preferred shares have declined in a falling interest rate environment.

We have been following the changes OSFI (Office of Superintendent of Financial Institutions) made to Canadian bank capital rules in 2020 and 2021 and concluded that banks would likely redeem their fixed rate reset preferred shares due to the favourable tax treatment they could receive from issuing other AT1 securities. We observed the trend of Canadian banks beginning to retire their \$25 preferred shares and coincidentally issuing Limited Recourse Capital Notes (LRCN) which have the same priority claim and rating as preferred shares. The benefit to the issuer/bank is that the distribution to the holder of a LRCN note is interest expense rather than a dividend which offers no tax shield to the bank. The banks are able to lower their capital funding costs when factoring in the interest expense benefit. The fund purchased five different bank rate reset preferred shares with near term reset dates from July 2024 to January 2025 representing a 7% portfolio weighting. The return profile on the bank reset preferred shares including dividends is 10% or more on an annualized basis.

The fund had a 2.5% weighting in the bonds of Corus Entertainment at the start of June which was a drag on performance. The bonds declined on the announcement that the rights to programming from Warner Bros Discovery Inc. will be acquired by Rogers Communications on January 1, 2025. The content acquired from Warner Bros is shown on HGTV and The Food Network, however it does not comprise the majority of the content on these channels. Management is focused on cost reduction, having announced the 25% reduction of headcount by the end of this fiscal year.

The situation at Corus is quite unique in that Rogers chose to acquire the programming rights held by Corus even though the content divisions of Rogers and Bell are not the drivers of profitability for these network providers. The CRTC is committed to the ongoing production of Canadian content which is an important political objective. It seems unlikely that the CRTC will allow the only large independent Canadian specialty channel provider to shrink due to aggressive tactics of a well capitalized customer that has interest in controlling content. Bell Media is seeking an injunction against Rogers Sport & media, attempting to quash its competitor's ability to broadcast the Warner Bros content. Near term catalysts for the bonds include access to some percentage of the \$200 million of revenue collected from foreign content streamers and the sale of non-core assets such as Nelvana. The market value of the bonds equates to a 2x enterprise value to forward EBITDA multiple compared to other content broadcasters trading at a 4.5x multiple of enterprise to forward EBITDA.

We have opportunistically increased our aggregate long positions by 17% in Q2/2024 with the addition of event driven positions such as rate reset preferred shares and short maturity convertible bond positions in the REIT sector, bringing aggregate longs to 67%. We continue to maintain short bond positions in the commercial real estate and home building sector as fundamentals continue to weaken. Our short positions represent 21% of the portfolio. We are carefully adding 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% | 0.38% | -0.36% | - | - | - | - | - | - | 1.43% |
| 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 June 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: 166.9%

| Performance & Risk Metrics | | | |
|-------------------------------|------------------|---------|---------|
| Return Since Inception | 166.90% | | |
| YTD | 1.43% | | |
| 1-YR Return | 3.87% | | |
| Annualized Since Inception | 12.77% | | |
| % of Positive Months | 79.59% | | |
| Maximum Drawdown | -14.81% | | |
| Annualized Standard Deviation | 8.69% | | |
| Sharpe Ratio ¹ | 1.22 | | |
| Correlation | | | |
| Index | XGB ² | TSX | S&P 500 |
| Correlation | -19.01% | 36.57% | 21.57% |
| Upside Capture | 62.56% | 45.58% | 29.50% |
| Downside Capture ³ | -106.80% | -16.60% | -18.23% |

2023 CANADIAN HF AWARDS

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 |

- 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.

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.