



## NorthStream Credit Strategies Fund LP

*Monthly Commentary: November 2024*

The NorthStream Credit Strategies Fund returned +0.61% for the month of November. The portfolio continued to have realizations on our preferred share ladder in November and December. BMO redeemed its 3.851% Series W preferred shares on November 25th. Our positions in the TD 3.876% Series C and the CIBC Series P are callable on January 31st, 2025. On December 10th TD issued \$750 million of 5.909% Limited Recourse Capital Notes (LRCN) that will reset every five years based on the 5-year government of Canada yield plus 3.10%. The TD LRCN notes will close on December 18th, and we expect our position in the Series C to be called at that time.

Our June commentary highlighted the motivation for Canadian banks to retire their fixed rate reset preferred shares due to the favourable tax treatment they could receive from issuing other AT1 securities or 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. We do expect banks to continue to retire their outstanding rate reset preferred shares as they become callable and observed that the supply of bank rate reset preferred shares has decreased considerably.

In the first eleven months of 2024, \$4.825 billion of bank rate reset preferred shares have been called. The remaining float of bank issued preferred shares consists of \$3.0 billion that are callable in 2025. Two of the issues held by the fund that are callable in January represent \$800 million of the \$3 billion that are callable next year. The balance of bank issued rate reset preferred shares with call dates after 2025 is equal to \$4.05 billion. Banks represent 19.9% of the Canadian preferred share index compared to 28.4% a year ago. The supply versus demand balance for bank rate reset preferred shares will be favourable given that \$3 billion of the \$7.1 billion outstanding will be retired in the coming year.

As the efficiency in the bank sector has improved, we have looked for other sectors where there is a funding arbitrage for issuers. We recently purchased the Series G rate reset preferred shares of Fairfax Financial which are callable in September of 2025. Fairfax recently issued 10-year bonds with a spread of 140 basis points over government of Canada bonds and are using the proceeds to call the Series C & D preferred shares on December 31 that have reset spreads of 315 basis points. We continue to add market risk in event driven opportunities that are less correlated with credit spreads or the movement of interest rates such as short duration rate reset preferred shares.

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%	0.07%	0.63%	0.64%	0.49%	0.61%	-	3.93%
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 November 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: 173.49%

Performance & Risk Metrics			
Return Since Inception	173.49%		
YTD	3.93%		
1-YR Return	3.91%		
Annualized Since Inception	12.44%		
% of Positive Months	80.58%		
Maximum Drawdown	-14.81%		
Annualized Standard Deviation	8.48%		
Sharpe Ratio <sup>1</sup>	1.20		
Correlation			
Index	XGB <sup>2</sup>	TSX	S&P 500
Correlation	-19.26%	34.92%	21.26%
Upside Capture	59.62%	42.39%	28.84%
Downside Capture <sup>3</sup>	-105.50%	-16.60%	-18.48%

<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 2024 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>3rd Place</b>	Best 5 Year Sharpe Ratio <b>1st Place</b>

2024 CANADIAN HF AWARDS

- 3 Year Return 12.29%
- 5 Year Return 14.72%
- 3 Year Sharpe Ratio 1.60
- 5 Year Sharpe Ratio 1.15

Awards are based solely on quantitative performance data to June 30 2024.