NorthStream Credit Strategies Fund LP

Monthly Commentary: March 2025

The NorthStream Credit Strategies Fund returned -0.01% for the month of March. The US high yield market had a negative return of -1.07% as credit spreads widened by 64 bps to 375 bps, which is below the 10-year average spread to worst of 442 bps. Credit spreads have continued to widen in April to approximately 440 bps in line with the 10-year average as the risk of a recession is rising.

The recent sell off in risk assets after "Liberation Day" has coincided with an increase in yields on US government bonds. The economic data released in April has been benign with March inflation coming in below expectations. Typically, bonds are a safe haven during times of uncertainty. Why is this time different? The US government does have $7 trillion of debt to refinance in the next eight months which is substantial but also not new information. The increase in rates has occurred while the US dollar has weakened, and the price of gold has appreciated.

One explanation as to why interest rates are moving higher is that China is no longer a buyer and is actually selling treasuries to buy gold. Central banks may be motivated to buy gold as there is no counterparty risk or risk of withholding taxes on interest income. Abstaining from purchasing treasuries is also a practical response from a trading partner that is increasing tariffs by multiples of amounts levied on other countries. It is logical to conclude that demand for US government bonds from many countries has been impacted by the aggressive approach to tariff negotiations.

The Chinese PBOC doesn't share much information about how exactly they manage their FX reserve buffer in terms of interest rate risk – so people can easily speculate about them ''dumping 10 year or 30-year bonds''. But it's quite rational to assume the PBOC owns 2, 3, 5, and 7 years US Treasuries. Although they may not be a seller of treasuries, their absence in buying to fund the $7 trillion of US maturities will be felt.

The marginal buyers of US Treasuries tends to be the leveraged hedge funds which get involved in basis or swap spread trades. As market volatility increases these holders are forced to de-risk their portfolios and sell every asset they can, including Treasuries, in an environment with fewer sovereign buyers to step into a market gap. This may have been the catalyst for President Donald Trump's decision to offer a surprise-90 day reprieve to countries that did not retaliate.

The timing of a treasury bond refinancing bulge, a tariff war and the objective of reducing budget deficits presents a challenging policy mix for risk assets. The tariff negotiations have created tensions with some of the largest holders of U.S. stocks and treasuries.

The return on corporate bonds is influenced by the direction of interest rates and the direction of credit spreads. Currently credit spreads are at 10-year averages that do not offer an excess return for the growing possibility of a recession. The fund currently has a cash position of 50% which is mitigating downside risk in April and provides ample liquidity in an environment where credit spreads are rising. If we look at past market corrections and recessions, when credit spreads rise above 550 bps it offers a compelling entry point and double digit returns once credit spreads normalize.

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NorthStream Credit Strategies Fund LP - Performance													
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	0.13%	0.31%	-0.01%										0.43%
2024	0.55%	0.14%	0.21%	0.51%	0.38%	-0.36%	0.07%	0.63%	0.64%	0.49%	0.61%	0.53%	4.48%
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 March 31, 2025. 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: 176.12%

Performance & Risk Metrics	
Return Since Inception	176.12%
YTD	0.43%
1-YR Return	4.00%
Annualized Since Inception	12.06%
% of Positive Months	80.37%
Maximum Drawdown	-14.81%
Annualized Standard Deviation	8.34%
Sharpe Ratio [1]	1.18

Correlation			
Index	**XGB [2]**	**TSX**	**S&P 500**
Correlation	-19.29%	34.80%	21.65%
Upside Capture	58.17%	41.63%	28.57%
Downside Capture [3]	-103.92%	-16.59%	-17.85%

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

2024 CANADIAN HF AWARDS

WINNER OF THE 2024 CANADIAN HF AWARDS

Credit Focused

Best 3 Year Return	Best 5 Year Return
1st Place	1st Place
Best 3 Year Sharpe Ratio	**Best 5 Year Sharpe Ratio**
3rd Place	1st Place

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

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