

# OCP CREDIT STRATEGY FUND

Monthly Update as at August 31, 2010



## Investment Rationale and Objectives

OCP Credit Strategy Fund provides Unitholders with exposure to the performance of an actively managed, diversified portfolio comprised primarily of senior debt obligations of non-investment grade North American issuers.

The Fund's objectives are: (i) to maximize total returns for Unitholders, on a tax-advantaged basis; (ii) to provide Unitholders with attractive, quarterly, tax-advantaged distributions, initially targeted to be \$0.70 per annum, representing an annual yield of 7% based on the original issue price of \$10.00 per Unit; and (iii) to preserve capital.

## Details

Date of Inception:	November 20, 2009
Issue Price:	\$10.00
Opening NAV (November 20, 2009):	\$9.44
Ticker Symbol:	OCS.UN (TSX)
Total Net Assets:	\$193,014,362*
NAV per Unit:	\$9.29*
Market Price:	\$9.84*
Latest Distribution: June 30, 2010	\$0.175
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$0.4286

\* As at August 26, 2010.

## Commentary

In August, the Portfolio returned (0.56%) net, resulting in YTD net performance of 2.24%. By comparison, the HFRI Distressed/Restructuring Index returned (0.39%) in the month while the CS Leveraged Loan and High Yield indexes returned 0.36% and 0.13% in the month and 5.19% and 8.26% YTD respectively. While investors continue to digest conflicting reports on the strength of the US and global recoveries, we view markets that lack conviction as favorable to our company specific, fundamental research, and event driven investment approach. Historically, such conditions have been good sources of opportunity for identifying and making stressed and distressed investments.

During this seasonally quiet month, the Portfolio made money in its Loan and Short positions and lost money in its Bonds and small allocation to Equity. In Bonds, American General was the most significant detractor, after having been the largest gainer in July, contributing about a quarter of that month's 1.35% net return. In August, AIG announced the sale of American General to the Fortress Investment Group. The lack of details about the transaction combined with what appears to be a low purchase price raised concerns over the company's strategic direction causing weakness in the bonds. On the announcement, we modestly reduced the position but continue to hold the balance. We have followed the credit for some time and continue to view the American General bonds as representing very good value, and we expect potential upside from capital and / or business structure improvements that should be favorable to debt holders. One of the Portfolio's Reorganized Equity holdings (Smurfit Stone) also contributed to losses, trading down on general weakness in Equities (S&P 500 down 4.5% in August), accentuated by its status as a Reorganized Equity, rather than on any specific corporate news. IHOP (Bond) and Lyondell (Bond) were the lead gainers in the month. IHOP traded up on an announced bond refinancing ahead of maturity, a favorable trend we have identified as an important driver of portfolio gains. The gain in Lyondell was a result of stronger earnings and working capital improvements that created a significant level of excess cash flow in the quarter.

The Portfolio's invested level continued to grow as we initiated several new credit investments during the month at prices ranging from the low-70's to mid-80's. Two of these companies are independent power generators, an industry that has come under some pressure recently due to falling energy prices, but one that we believe has favorable long term demand trends.

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# ONEX

CREDIT PARTNERS

## Five Strongest and Weakest Performers

### Strongest

IHOP Senior Notes
Lyondell Senior Notes
Terrestar Senior Notes
Boyd Credit Facility
GMAC Preferred Shares and Senior Notes

### Weakest

American General Senior Notes
Smurfit Stone Container Senior Notes & Common Stock
Hovnanian Senior Notes
Spanish Government Bonds
Delphi Equity (Private Class B Shares)

The chart shows the top five strongest and weakest holdings contributing to the Fund's performance for the month. These holdings do not represent all of the assets held, purchased or sold during the month.

## Industry Exposure

	Long	Short	Net
Finance	10.42%	0.00%	10.42%
Chemicals	10.03%	0.00%	10.03%
Transportation	9.34%	0.00%	9.34%
Gaming/Leisure	9.27%	-0.53%	8.74%
Forest Products/Containers	8.18%	0.00%	8.18%
Food	6.30%	0.00%	6.30%
Energy Service	5.91%	-1.53%	4.38%
Housing/Building Products	5.29%	-1.16%	4.13%
Media	4.96%	0.00%	4.96%
Real Estate	4.86%	-1.32%	3.54%
Independent Power Producers	3.19%	0.00%	3.19%
Telecom	2.82%	-0.64%	2.18%
Cable/Wireless Video	2.59%	0.00%	2.59%
Aerospace	1.79%	0.00%	1.79%
Other	1.44%	-4.56%	-3.13%
Business Services	1.21%	0.00%	1.21%
Insurance	0.97%	0.00%	0.97%
Index	0.00%	-2.36%	-2.36%
Adjusted Exposure**	88.59%	-12.11%	76.48%

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	46.81%	0.00%	46.81%
Corporate Bonds	34.82%	-5.19%	29.64%
Equity	6.95%	0.00%	6.95%
Government Bonds (EUR)	0.00%	-4.56%	-4.56%
Other	0.00%	0.00%	0.00%
Notional value of CDS	0.00%	-2.36%	-2.36%
Adjusted Exposure**	88.59%	-12.11%	76.48%
Cash	11.41%	0.00%	11.41%
Total Exposure	100.00%	-12.11%	87.89%

\*\*\* The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust.

\*\* Shorts include the notional value of the credit default swaps, if any.

All amounts in Canadian dollars unless otherwise stated. Certain statements constitute forward-looking statements, including, but not limited to, those identified by the expressions "expect", "intend", "will" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts but reflect Onex Credit Partners, LLC's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Although Onex Credit Partners, LLC believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Onex Credit Partners, LLC undertakes no obligation to update publicly or otherwise revise any forward-looking statement or information whether as a result of new information, future events or other such factors which affect this information, except as required by law. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the Fund's continuous disclosure documents (found on SEDAR) before investing. The Fund is not guaranteed, its value changes frequently and past performance may not be repeated.

The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust. Through a forward agreement, the return of the Fund is dependent on the return of the Portfolio. Performance figures for the Fund are based on Canadian generally accepted accounting principles and were based on audited financial statements through December 31, 2009 and unaudited monthly estimates thereafter. Performance figures for the Fund include distributions paid during the relevant period and are calculated net of expenses and fees. Returns for the Fund may diverge from the returns for the Portfolio for several reasons including the incurrence of expenses and payment of distributions by the Fund.