

# OCP CREDIT STRATEGY FUND

Monthly Update as at March 31, 2011



## 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, currently 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:	\$198,079,283*
NAV per Unit:	\$9.63*
Market Price:	\$9.99*
Latest Distribution: March 31, 2011	\$0.175
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$0.9536

\* As at March 31, 2011.

## Commentary

Net performance of OCP Credit Strategy Fund (0.75%) and 3.09% in March and year-to-date, respectively. Despite the volatility spike caused by the disasters in Japan and political turmoil in the Middle East, markets climbed from the year's pullback to finish with slight gains. The CS Leveraged Loan Index, CS High Yield Bond Index, and S&P500 returned 0.14%, 0.41%, and 0.04% in the month, respectively.

With less event-related activity in the portfolio compared to recent months, most gains and losses were modest. Small gains in positions such as South Edge, Dynegy, Lehman, and MACH Gen were offset by losses in positions such as Novasep, GM, and Delphi. The fund initiated a position in the secured bonds of Novasep (a European contract pharmaceutical manufacturer) beginning in early 2011. Given the risk/return profile of the investment, the position was grown but limited to an approximately 2% position. In late March, the company announced it was evaluating strategic alternatives, one of which could include a balance sheet restructuring. This announcement took investors by surprise causing the bonds to trade lower. Our investment thesis had identified the company's potential need to restructure, but the timing of the announcement was earlier than we had anticipated given Novasep's current liquidity position. We continue to believe any potential restructuring should be consensual, given it is beneficial to all stake holders.

GM (bonds) and Delphi (restructured equity) both declined following reports of potential automotive production slowdowns due to the shortage of parts solely manufactured in Japan. We believe these disruptions are temporary and that our long term investment thesis for both companies remains intact.

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# ONEX

CREDIT PARTNERS

## Five Strongest and Weakest Performers

<u>Strongest</u>	<u>Weakest</u>
South Edge Senior Term Loan	Novasep First Lien Bonds
Dynegy Senior Unsecured Bond	GM Bonds
MACH Gen Senior Term Loan	Delphi Equity (Private Class B Shares)
Willbros Term Loan	Tribune Credit Facility
Lehman Brothers Holdings	Hovnanian Senior Note

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	13.31%	0.00%	13.31%
Independent Power Producers	11.88%	0.00%	11.88%
Gaming/Leisure	11.12%	-1.69%	9.43%
Transportation	9.00%	0.00%	9.00%
Housing/Building Products	7.47%	-1.13%	6.34%
Media	4.21%	0.00%	4.21%
Energy Service	4.13%	-1.44%	2.69%
Aerospace	3.64%	0.00%	3.64%
Telecom	3.15%	-0.67%	2.48%
Forest Prod/Containers	3.14%	0.00%	3.14%
Chemicals	2.84%	0.00%	2.84%
Other	2.78%	-5.82%	-3.04%
Pharmaceuticals	1.94%	0.00%	1.94%
Healthcare	1.67%	0.00%	1.67%
Business Services	1.53%	-1.07%	0.46%
Cable/Wireless Video	1.46%	0.00%	1.46%
Metals/Minerals	0.19%	0.00%	0.19%
Real Estate	0.12%	-1.15%	-1.02%
Index	0.07%	-9.06%	-8.99%
Food	0.00%	-1.06%	-1.06%
Retail	0.00%	-0.96%	-0.96%
Adjusted Exposure**	83.65%	-24.04%	59.61%

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	43.07%	0.00%	43.07%
Corporate Bonds	33.33%	-9.17%	24.16%
Government Bonds	0.00%	-5.82%	-5.82%
Equity	7.18%	0.00%	7.18%
Other	0.00%	0.00%	0.00%
Call Options	0.07%	0.00%	0.07%
Notional value of CDS	0.00%	-3.10%	-3.10%
Notional value of Puts	0.00%	-5.96%	-5.96%
Adjusted Exposure**	83.65%	-24.04%	59.61%
Cash	16.35%	0.00%	16.35%
Total Exposure	100.00%	-24.04%	75.96%

\*\*\* 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, 2010 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.