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# **OCP Investment Trust**

Interim Financial Statements  
for the period January 1 to June 30, 2011

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**NOTICE TO READER:**

These interim financial statements and related notes for the six month period ended June 30, 2011 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

**OCP INVESTMENT TRUST**  
**STATEMENTS OF NET ASSETS**

As at	June 30, 2011 \$	December 31, 2010 \$
<b>Assets</b>		
Investments held long	177,461,531	144,892,350
Cash	174,534,879	97,356,603
Cash on deposit with broker as collateral	366,452	159,065
Receivables for investments sold	2,377,641	18,832,212
Accrued interest	1,076,678	684,945
	<b>355,817,181</b>	<b>261,925,175</b>
<b>Liabilities</b>		
Investments sold short	36,543,656	26,156,242
Unfunded bank debt commitments	621,637	879,120
Performance fees payable [Note 5]	111,285	1,042,891
Interest payable on short positions	638,267	630,199
Other payables	432,124	568,947
Redemptions payable	5,300,000	3,760,000
Payables for investments purchased	34,078,420	31,699,121
	<b>77,725,389</b>	<b>64,736,520</b>
<b>Net Assets</b>	<b>278,091,792</b>	<b>197,188,655</b>
<b>Number of units outstanding</b> [Note 6]	<b>25,729,680</b>	<b>19,094,689</b>
<b>Net assets per unit</b>	<b>\$10.81</b>	<b>\$10.33</b>

See accompanying notes

**OCP INVESTMENT TRUST**  
**STATEMENTS OF OPERATIONS**

For the six months ended June 30	2011 \$	2010 \$
<b>Investment income</b>		
Interest	3,741,188	2,428,560
Dividend, net of withholding tax	10,000	-
	<b>3,751,188</b>	<b>2,428,560</b>
<b>Expenses</b>		
Interest expense	1,171,696	472,046
Management fees [Note 5]	960,952	917,433
Harmonized Sales Tax / Goods and Services Tax	146,029	47,051
Performance fees [Note 5]	123,554	-
Other administration costs	97,399	57,104
Custodian and valuation fees	30,258	29,272
Audit fees	6,074	15,674
Independent review committee fees	5,626	7,934
Trustee fees	5,001	4,959
Securityholder reporting costs	2,016	1,791
Legal fees	-	4,959
	<b>2,548,605</b>	<b>1,558,223</b>
<b>Net investment income</b>	<b>1,202,583</b>	<b>870,337</b>
<b>Realized and unrealized gain (loss) on investments and transaction costs</b>		
Net realized foreign exchange gain	11,663,820	2,804,051
Net realized gain on sale of investments [Note 7]	1,292,698	1,876,461
Transaction costs	(19,715)	(4,879)
Net change in unrealized depreciation of investments	(4,186,969)	(1,594,574)
<b>Net gain on investments</b>	<b>8,749,834</b>	<b>3,081,059</b>
<b>Increase in net assets from operations</b>	<b>9,952,417</b>	<b>3,951,396</b>
<b>Increase in net assets from operations per unit</b>	<b>\$0.52</b>	<b>\$0.19</b>

See accompanying notes

OCP INVESTMENT TRUST  
**STATEMENTS OF CHANGES IN NET ASSETS**

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For the six months ended June 30	2011 \$	2010 \$
<b>Increase in net assets from operations</b>	<b>9,952,417</b>	<b>3,951,396</b>
<b>Capital unit transactions</b> <i>[Note 6]</i>		
Subscriptions received	83,250,720	–
Redemption of units	(12,300,000)	(9,215,000)
	<b>70,950,720</b>	<b>(9,215,000)</b>
<b>Increase (Decrease) in net assets for the period</b>	<b>80,903,137</b>	<b>(5,263,604)</b>
Net assets, beginning of period	197,188,655	195,830,473
<b>Net assets, end of period</b>	<b>278,091,792</b>	<b>190,566,869</b>

*See accompanying notes*

**OCP INVESTMENT TRUST**  
**SCHEDULE OF INVESTMENTS (Unaudited)**

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
<b>LONG POSITIONS</b>					
<b>BONDS</b>					
7,226,285	ACST Pass Through Trust Floating Rate	June 14, 2037	6,374,161	6,393,740	
1,600,000	AES Eastern Energy, 9.67%	January 2, 2029	1,081,152	1,095,499	
4,510,000	Ally Financial (formerly known as GMAC Inc.), 8.00%	November 1, 2031	4,957,407	4,708,020	
50,000	Ally Financial (formerly known as GMAC Inc.), 6.20%	November 15, 2013	45,004	48,042	
100,000	Ally Financial (formerly known as GMAC Inc.), 6.375%	August 1, 2013	88,860	96,164	
105,000	Ally Financial (formerly known as GMAC Inc.), 7.00%	January 15, 2013	100,238	101,675	
96,000	Ally Financial (formerly known as GMAC Inc.), 7.00%	November 15, 2012	91,054	92,583	
120,000	Ally Financial (formerly known as GMAC Inc.), 7.10%	January 15, 2013	114,010	116,261	
30,000	Ally Financial (formerly known as GMAC Inc.), 7.10%	January 15, 2013	27,548	29,065	
100,000	Ally Financial (formerly known as GMAC Inc.), 7.125%	August 15, 2012	97,055	96,282	
135,000	Ally Financial (formerly known as GMAC Inc.), 7.25%	August 15, 2012	131,025	130,235	
1,000,000	Ally Financial (formerly known as GMAC Inc.), 7.50%	August 15, 2017	854,728	965,951	
194,000	Ally Financial (formerly known as GMAC Inc.), 7.75%	October 15, 2017	163,666	187,503	
175,000	Ally Financial (formerly known as GMAC Inc.), 7.875%	November 15, 2012	164,353	169,426	
90,000	Ally Financial (formerly known as GMAC Inc.), 8.00%	October 15, 2017	75,689	87,009	
860,000	Beazer Homes USA, 8.125%	June 15, 2016	709,203	727,745	
3,000,000	Capmark Financial Group 6.30%	Defaulted	1,695,417	1,655,154	
1,904,011	CIT Group Inc., 7.00%	May 1, 2017	1,723,322	1,831,539	
1,360,001	CIT Group Inc., 7.00%	May 1, 2016	1,245,498	1,306,596	
820,000	CityCenter Holdings LLC, 10.75%	January 15, 2017	809,173	857,980	
615,000	ConvaTec Healthcare, 10.50%	December 15, 2018	622,627	613,832	
6,840,000	Dynegy Holdings Inc., 7.75%	June 1, 2019	4,807,561	4,798,692	
6,380,000	Edison Mission Energy, 7.00%	May 15, 2017	4,954,133	4,983,558	
800,000	Edison Mission Energy, 7.75%	June 15, 2016	597,257	694,331	
8,500,000	Ford Motor Company, 7.45%	July 16, 2031	9,144,487	9,292,375	
3,280,000	Harbinger Group Inc., 10.625%	November 15, 2015	3,238,836	3,265,861	
4,315,000	Harbinger Group Inc., 10.625%	November 15, 2015	4,271,858	4,296,400	
23,200	K Hovnanian Enterprises, 6.50%	January 15, 2014	18,530	19,297	
7,600,530	K Hovnanian Enterprises, 7.50%	May 15, 2016	5,896,517	4,562,649	
645,000	Lehman Brothers Holdings, 3.60%	Defaulted	159,312	162,499	
25,300,000	Lehman Brothers Holdings, 6.875%	Defaulted	6,239,242	6,556,964	

**OCP INVESTMENT TRUST**  
**SCHEDULE OF INVESTMENTS (Unaudited) continued**

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
48,790,000	Lehman Brothers Treasury Co BV, 7.585%	Defaulted	1,502,333	1,384,911	
3,560,238	Lyondell Chemical Company, 11.00%	May 1, 2018	3,909,493	3,845,306	
3,803,500	Penson Worldwide Inc., 12.50%	May 15, 2017	3,689,591	3,411,145	
2,000,000	Smurfit-Stone Container Corporation 8.375%	Defaulted	–	48,217	
2,139,800	Springleaf Finance Corporation, 6.90%	December 15, 2017	1,847,006	1,893,272	
140,121	ORA/NRS II	Defaulted	104,703	124,584	
93,414	ORA/NRS II C	Defaulted	66,063	83,056	
<b>Total Bonds</b>			<b>71,618,112</b>	<b>70,733,418</b>	<b>50.42%</b>

**BANK DEBT**

10,070,001	Boyd Gaming Corporation Revolving Commitment	June 25, 2015	9,349,227	9,395,379	
7,404,801	Caesars Entertainment Operating Co Inc. (formerly known as Harrah's Operating Company Inc.), Term Loan B3	January 28, 2015	6,284,580	6,406,645	
2,967,458	Caesars Entertainment Operating Co Inc. (formerly known as Harrah's Operating Company Inc.), Term Loan B4	October 31, 2016	3,071,435	2,981,332	
20,025,000	Capmark Financial Group Inc., Term Loan	Defaulted	9,604,055	10,931,881	
5,000,000	Capmark Financial Group Inc., Irish Revolving Commitment	Defaulted	2,767,654	2,704,191	
1,178,626	CCS Inc., Term Loan	November 14, 2014	1,038,067	1,078,882	
2,954,849	Charter Communications Operating LLC, Term Loan	September 6, 2016	2,935,579	2,837,270	
1,657,838	CIT Group, Inc. Term Loan	August 15, 2015	1,836,075	1,606,440	
7,422,932	Federal Mogul Corporation, Term Loan	December 27, 2014	6,793,195	6,767,139	
183,712	Ford Motor Company, Term Loan B1	December 15, 2013	169,138	176,929	
735,214	Ford Motor Company, Term Loan B2	December 15, 2013	666,984	707,618	
12,650,000	GGP Term Loan A Stub	Defaulted	–	290,336	
4,000,000	Glitnir Bank Claim	Defaulted	1,186,657	1,051,138	
5,700,000	Lehman Brothers Specialty Claim	Defaulted	2,325,041	2,308,649	
6,600,000	Level 3 Financing Inc., Term Loan	March 13, 2014	6,114,773	6,152,543	
2,376,566	LifeCare Holdings, Term Loan	February 1, 2017	2,243,877	2,329,079	
6,469,868	Mach Gen LLC, Term Loan	February 15, 2015	4,753,184	4,823,685	
1,429,141	Realogy Corporation, Term Loan	October 10, 2016	1,315,285	1,225,440	
7,463,441	South Edge, Term Loan	Defaulted	3,314,939	6,837,487	
4,674,300	Texas Competitive Electric Holdings Company, Extended Term Loan	October 10, 2017	3,603,302	3,510,334	

**OCP INVESTMENT TRUST**  
**SCHEDULE OF INVESTMENTS (Unaudited) continued**

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
689,384	Texas Competitive Electric Holdings Company, Non-Extended Term Loan	October 10, 2014	558,139	555,232	
8,644,285	Tribune Company Revolving Commitment	Defaulted	6,072,925	5,840,480	
2,500,000	Tribune Company, Term Loan	Defaulted	1,574,399	1,630,351	
994,080	United Airlines Inc., N769UA Term Loan	September 30, 2013	885,340	817,240	
1,421,987	United Airlines Inc., N768UA Term Loan	September 30, 2013	1,238,946	1,169,025	
429,201	United Airlines Inc., N773UA Term Loan	September 30, 2013	391,656	369,406	
3,926,300	Willbros United States Holdings Inc., Term Loan	June 30, 2014	3,895,803	3,786,320	
899,710	Woodside PH Holdings	June 30, 2018	894,483	884,986	
923,080	W.R. Grace Strip 5-year RC and 364 Day RC	Defaulted	1,649,910	1,679,084	
<b>Total Bank Debt</b>			<b>86,534,648</b>	<b>90,854,521</b>	<b>64.76%</b>

**CREDIT DEFAULT SWAPS**

8,000,000	CDX HY 16 Puts	September 21, 2011	146,974	117,000	
6,300,000	CDX HY 14, 5.00%	June 20, 2015	16,928	(262,818)	
6,000,000	CDX IG 16, 1.00%	June 20, 2016	(22,518)	(23,508)	
<b>Total Credit Default Swaps</b>			<b>141,384</b>	<b>(169,326)</b>	<b>(0.12%)</b>

**EQUITIES AND WARRANTS**

56,824	CIT Group Inc.		1,836,232	2,422,625	
437	Delphi Equity Class B		7,493,399	9,531,118	
68,804	General Motors Corporation		5,626,592	2,015,080	
2,050	General Motors Corporation, 4.75%, Preferred Series 'B'		104,258	96,177	
62,549	General Motors Corporation, Warrants A	July 10, 2016	–	1,289,620	
62,549	General Motors Corporation, Warrants B	July 10, 2019	–	960,279	
180,000	Motors Liquidation Company Escrow Pfd		–	112,829	
529,000	Motors Liquidation Company Escrow GM		–	331,591	
28,960	ProShares UltraShort Euro		493,204	467,507	
286,000	Smurfit-Stone Container Corporation Escrow		(18)	–	
87,904	Technicolor		586,852	518,301	
<b>Total Equities and Warrants</b>			<b>16,140,519</b>	<b>17,745,127</b>	<b>12.65%</b>

**OPTIONS**

800	VIX Calls	August 17, 2011	141,887	54,003	
<b>Total Options</b>			<b>141,887</b>	<b>54,003</b>	<b>0.04%</b>



**OCP INVESTMENT TRUST**  
**SCHEDULE OF INVESTMENTS (Unaudited) continued**

As at June 30, 2011

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
<b>FORWARD CONTRACTS</b>					
<b>United States Dollars</b>					
	Forward currency contract 28/10/2011 <sup>(1)</sup>		–	(1,756,212)	
<b>Total Forward Contracts</b>			–	(1,756,212)	(1.24%)
<b>Total Long Positions</b>			<b>174,576,550</b>	<b>177,461,531</b>	<b>126.49%</b>
<b>SHORT POSITIONS</b>					
<b>BONDS</b>					
(1,644,130)	AES Eastern Energy, 9.00%	January 2, 2017	(757,432)	(1,078,150)	
(1,200,000)	Caesars Entertainment Operating Co Inc. (formerly known as Harrah's Operating Company Inc.), 10.00%	December 15, 2018	(1,020,689)	(1,044,390)	
(820,000)	J Crew Group, Inc., 8.125%	March 1, 2019	(789,053)	(761,113)	
(2,050,000)	Dunkin Finance Corporation, 9.625%	December 1, 2018	(2,092,648)	(1,994,193)	
(2,050,000)	Lender Processing Services Inc., 8.125%	July 1, 2016	(2,065,530)	(1,927,492)	
(1,290,000)	Level 3 Financing Inc., 9.25%	November 1, 2014	(1,211,602)	(1,279,775)	
(2,050,000)	MGM Resorts International, 11.375%	March 1, 2018	(2,155,842)	(2,219,085)	
(980,000)	Newpage Corporation, 11.375%	December 31, 2014	(871,161)	(881,269)	
(1,230,000)	Rite Aid Corporation, 9.50%	June 15, 2017	(1,068,681)	(1,082,360)	
(2,150,000)	Simon Property Group LP, 5.65%	February 1, 2020	(2,279,597)	(2,238,667)	
(7,200,000)	Spanish Government Bonds, 4.00%	April 30, 2020	(9,383,302)	(9,219,396)	
(3,280,000)	US Treasury Note, 4.25%	November 15, 2040	(3,127,745)	(3,091,893)	
(6,800,000)	US Treasury Note, 5.375%	February 15, 2031	(8,173,213)	(7,683,625)	
(2,150,000)	USG Corporation, 9.75%	January 15, 2018	(2,305,721)	(2,042,248)	
<b>Total Bonds</b>			<b>(37,302,216)</b>	<b>(36,543,656)</b>	<b>(26.05%)</b>
<b>Total Short Positions</b>			<b>(37,302,216)</b>	<b>(36,543,656)</b>	<b>(26.05%)</b>
<b>UNFUNDED BANK DEBT COMMITMENTS</b>					
(4,884,189)	Venetian Orient Limited	May 18, 2015	(197,127)	(32,382)	
(2,041,053)	Tribune Company Revolving Commitment	Defaulted	(654,626)	(589,255)	
<b>Unfunded Bank Debt Commitments</b>			<b>(851,753)</b>	<b>(621,637)</b>	<b>(0.44%)</b>
Adjustment for transactions costs			(4,322)	–	
<b>Total Investments</b>			<b>136,418,259</b>	<b>140,296,238</b>	<b>100.00%</b>

(1) Sold 132,293,830 United States dollars for Canadian dollars at a rate of 1.0482  
The counterparty is rated A by Standard & Poor's.

See accompanying notes

# OCP INVESTMENT TRUST

## NOTES TO FINANCIAL STATEMENTS (Unaudited)

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June 30, 2010

### 1. THE FUND

OCP Investment Trust (the “Fund”) is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 27, 2009. On November 20, 2009 the Fund commenced operations.

The Fund was established for the purpose of acquiring and holding an actively managed, diversified portfolio (the “Portfolio”) comprised primarily of senior debt obligations of non-investment grade North American issuers.

The manager of the Fund is Onex Credit Partners, LLC (the “Manager”), as such, the Fund is dependent on the Manager for the administration and management of all matters relating to its operations.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting year. Significant estimates include the valuation of investments. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

#### Investments

Investments are categorized as held for trading and recorded at their fair value. In the case of publicly traded securities, fair value means the closing bid price for long positions and the closing ask price for short positions. For bonds and bank debt (including unfunded bank debt commitments), fair market value means the bid or ask price provided by independent security pricing services or broker quotes. The difference between fair value and average cost, as recorded in the accounts, is shown as “Net change in unrealized depreciation of investments” in the Statements of Operations. Average cost is used to determine the gain or loss on investments sold. Investment transactions are recorded on the trade date.

Derivative financial instruments such as credit default swaps and forward contracts are valued on each valuation date according to the gain or loss that would be realized if the contracts were closed out. Cash on deposit with broker as collateral is noted in the Statements of Net Assets. Derivative financial instruments are recorded at their respective fair values. Realized gains and losses on credit default swaps and forward contracts are included in the Statements of Operations under “Income from derivatives” and “Net realized foreign exchange gain,” respectively.

#### Short Selling

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if the security declines in price between those dates. The gain or loss that would be realized if, on the valuation date, the position were to be closed out is reflected in the Statements of Operations in “Net change in unrealized depreciation of investments”. When the short position is closed out, the gain and loss is realized and included in the Statements of Operations in “Net realized gain on sale of investments”.

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain a margin account with the prime broker containing cash and liquid securities such that the amount deposited as margin will be more than the current market value of the security sold short.

#### Income and expense recognition

Interest income is recorded when measurable and when collection is reasonably assured.

The accrual method of recording expenses is followed.

#### Foreign currency translation

Investments at fair value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation dates. Investment transactions and income and expenses are

**OCP INVESTMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

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translated at the rate of exchange on the date of such transactions.

Realized foreign currency gains and losses on investments are included in the Statements of Operations in "Net realized foreign exchange gain". Unrealized foreign currency gains and losses on investments and other assets (net) are included in the Statements of Operations in "Net change in unrealized depreciation of investments".

**Increase in net assets from operations per unit**

The increase in net assets from operations per unit in the Statements of Operations represents the increase in net assets from operations during the period, divided by the weighted average number of units outstanding during the period.

**Valuation of fund units for transaction purposes**

Net asset value per unit is calculated at the end of Thursday of each week, on the annual redemption date and on such other dates as the Manager deems appropriate, by dividing the net asset value by the outstanding units.

Net assets per unit for financial reporting purposes are determined in the same manner as above, except for investments which are accounted for in accordance with CICA Handbook Section 3855.

The difference between net asset value for pricing purposes and net assets for financial reporting purposes results solely from investments in equities, which are valued at their closing sale price for purpose of determining net asset value. As at June 30, 2011 and June 30, 2010, the bid price of the common shares has less than a 1% variance with their closing sale price, and therefore, a reconciliation between net assets and net asset value has not been presented.

**Income taxes**

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized taxable capital gains are distributed to the unitholder.

**Transaction costs**

Transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments of the Fund include cash, cash on deposit with broker as collateral, receivables for investments sold, accrued interest, performance fees payable, interest payable on short positions, other payables, redemptions payable and payables for investments purchased. There are no significant differences between the carrying values of these financial instruments and their fair value. Investments are carried at their fair values as described in Note 2 above.

The following tables show financial instruments recorded at fair value, categorized between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3).

OCP INVESTMENT TRUST  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

As at June 30, 2011:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities and warrants	7,769,589	9,975,538	–	17,745,127
Bonds	–	70,733,418	–	70,733,418
Bank Debt	–	90,854,521	–	90,854,521
Credit Default Swaps	–	(169,326)	–	(169,326)
Options	54,003	–	–	54,003
	<b>7,823,592</b>	<b>171,394,151</b>	<b>–</b>	<b>179,217,743</b>
<b>Financial liabilities</b>				
Bonds sold short	–	36,543,656	–	36,543,656
Unfunded Bank Debt Commitments	–	621,637	–	621,637
Forward Contract	–	1,756,212	–	1,756,212
	<b>–</b>	<b>38,921,505</b>	<b>–</b>	<b>38,921,505</b>

As at December 31, 2010:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities	17,191,493	7,023,452	–	24,214,945
Bonds	–	54,186,784	–	54,186,784
Bank Debt	–	61,743,976	–	61,743,976
Credit Default Swaps	–	(135,775)	–	(135,775)
Forward Contract	–	4,882,420	–	4,882,420
	<b>17,191,493</b>	<b>127,700,857</b>	<b>–</b>	<b>144,892,350</b>
<b>Financial liabilities</b>				
Bonds sold short	–	26,156,242	–	26,156,242
Unfunded Bank Debt Commitments	–	879,120	–	879,120
	<b>–</b>	<b>27,035,362</b>	<b>–</b>	<b>27,035,362</b>

**4. DISTRIBUTIONS**

To the extent that the Fund has not distributed in cash the full amount of its net income in any period, the difference between such amount and the amount actually distributed by the Fund will be paid through an additional distribution, being the issuance of additional units having a net asset value in the aggregate at the date of distribution equal to this difference. Immediately after any such additional distribution, the number of outstanding units will be consolidated such that the unitholder will hold after the consolidation the same number of units as it held before the distribution of additional units.

OCP INVESTMENT TRUST  
NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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**5 EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS**

The Manager is entitled to an annual management fee of 0.9375% based on the net asset value of the Fund. This fee is calculated weekly and paid monthly in arrears.

In addition, the Manager is entitled to an annual performance fee (the “**Performance Fee**”) once a unitholder of the Fund has achieved a preferred return of 9.0%. The Performance Fee is calculated and accrued monthly and paid annually (except that when units are redeemed the accrued Performance Fee in respect of such units will be paid at the time of such redemption). The amount of the Performance Fee is determined as of December 31 of each period (the “**Determination Date**”). The Performance Fee for a given period will be an amount for each unit of the Fund then outstanding equal to 15% of the amount by which the sum of (i) the net asset value of such unit at the Determination Date (calculated without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months (such sum being referred to as the “**Return**”), exceeds the Threshold Amount (as defined below). No Performance Fee will be paid unless the Return exceeds 109% of the Threshold Amount. If the Return exceeds 109% of the Threshold Amount, the Manager will be entitled to a Performance Fee equal to 15% of the Return. On December 31, 2009, the Threshold Amount is the net asset value per unit of the Fund, immediately following the closing of the offering. Thereafter, the Threshold Amount is the greatest of: (i) the net asset value per unit of the Fund immediately following the closing of the offering; (ii) the net asset value per unit of the Fund on the Determination Date for the previous fiscal period (after payment of such Performance Fee); and (iii) the net asset value per unit of the Fund on the Determination Date in the last fiscal period in which a Performance Fee was paid (after payment of such Performance Fee).

As at June 30, 2011, a Performance Fee in the amount of \$111,285 (December 31, 2010 – \$1,042,891) was accrued. In addition, \$12,269 was paid to the Manager relating to Performance Fees earned during the period on units redeemed.

The Fund is responsible for all costs relating to its administration and operation.

All transactions with the Manager are measured at the exchange amounts, and occur within the normal course of business.

**6. UNITS ISSUED AND OUTSTANDING**

The Fund is authorized to issue an unlimited number of transferable and redeemable units of a single class, each of which represents an equal undivided interest in the net assets of the Fund. The unitholder is entitled to redeem its units outstanding on any business day and will receive a redemption price equal to the net asset value per unit of the Fund.

Changes in the number of units outstanding for the periods ended June 30 are summarized as follows:

	2011 #	2010 #
<b>Units outstanding, beginning of period</b>	<b>19,094,689</b>	20,791,733
Issuance of units	7,774,803	–
Units redeemed during the period	(1,139,812)	(952,713)
<b>Units outstanding, end of period</b>	<b>25,729,680</b>	19,839,020

OCP INVESTMENT TRUST  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

**7. NET REALIZED GAIN ON SALE OF INVESTMENTS**

The net realized gain on sale of investments for the periods ended June 30 was as follows:

	2011 \$	2010 \$
<b>Proceeds on sale of investments</b>	<b>67,224,579</b>	63,964,027
<b>Less cost of investments sold</b>		
Investments, beginning of period	109,792,005	71,879,311
Investments purchased during the period	92,558,135	121,759,889
Investments, cost end of period	<b>(136,418,259)</b>	(131,551,634)
<b>Cost of investments sold</b>	<b>(65,931,881)</b>	62,087,566
<b>Net realized gain on sale of investments</b>	<b>1,292,698</b>	1,876,461

**8. MANAGEMENT OF FINANCIAL RISKS**

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Fund's overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund's financial performance by employing professional, experienced portfolio managers, by monitoring daily the Fund's positions and market events and by diversifying the investment Portfolio within the constraints of the investment guidelines. To assist in managing risk, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

**Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

The Fund invests primarily in senior debt obligations of non-investment grade issuers, including defaulted obligations, which involves risk of loss and price changes due to such factors as an issuer's credit worthiness. This represents the main concentration of credit risk. The fair value of the debt securities held in the portfolio includes consideration of the credit worthiness of the issuer. The Schedule of Investments shows which securities are currently in default.

As part of its cash management, the Fund limits its direct exposure to credit loss by placing its cash with high credit quality financial institutions.

The maximum exposure to any one debt issuer as of June 30, 2011 was \$15,291,226 (December 31, 2010 – \$9,473,037) representing 5.50% (December 31, 2010 – 4.80%) of the net assets of the Fund.

As at June 30, 2011, direct exposure to debt securities by credit rating is as follows:

Credit Rating	As a % of net assets
AAA	(3.87)
AA	(3.31)
A	1.49
BB	5.44
B	22.84
CCC	0.71
CC	1.37
Not Rated*	20.08

**OCP INVESTMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

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As at December 31, 2010, direct exposure to debt securities by credit rating is as follows:

<b>Credit Rating</b>	<b>As a % of net assets</b>
AAA	(1.41)
AA	(2.61)
A	1.07
BB	4.72
B	31.63
CCC	(0.17)
Not Rated*	12.30

\*Not rated by Standard & Poor's Rating Services.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

**Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

As at June 30, 2011, approximately 51.49% (December 31, 2010 – 42.93%) of the Fund's net assets are held in cash (adjusted for receivables for investments sold and payables for investments purchased) and as a result, the Fund's liquidity risk is considered minimal.

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Of the Fund's interest-bearing financial instruments, changes in the prevailing levels of market interest rates will not have a significant impact on their fair values.

**Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests its assets in securities that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. Consequently, the Fund is exposed to currency risk as the fair value of the Portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the periods ended June 30, 2011 and December 31, 2010, the Fund does not have a significant exposure to foreign exchange risk as substantially all of the Fund's foreign investments are hedged back to the Canadian dollar.

**Other price risk**

Other price risk is the risk that the fair value of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Since the Fund does not invest substantially in equity securities, the Fund does not have a significant exposure to other price risk as at June 30, 2011 and December 31, 2010.

**9. CAPITAL MANAGEMENT**

Units issued and outstanding represent the capital of the Fund. The Fund has no restrictions or specific capital requirements and is authorized to issue an unlimited number of redeemable units as specified in its most recent Annual

**OCP INVESTMENT TRUST**

**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

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Information Form. Restrictions and specific requirements on the redemption of units are described in Note 6. The Statements of Changes in Net Assets and Note 6 outline the relevant changes of the Fund's units for the period.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 8 while maintaining sufficient liquidity to meet unitholder redemptions.

**10. INCOME TAXES**

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and will follow "financial institution" rules for purposes of the "mark-to-market" provisions contained in the Tax Act (Canada). The Fund is not subject to tax on that portion of its income, including net realized capital gains for its taxation period that is paid or payable to its unitholder. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial income tax legislation, as redemptions occur. It is the intention of the Fund to pay all net taxable income and sufficient net taxable gains so that the Fund will not be subject to income taxes. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and is not taxable to the unitholder.

The Fund may be subject to "minimum tax" under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

**11. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

On January 12, 2011, the Canadian Accounting Standards Board made a decision to extend the deferral of the adoption of International Financial Reporting Standards ("IFRS") by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. Consequently, IFRS would be applicable to the Fund for the fiscal year beginning January 1, 2013. At the transition date the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The Fund is continuing with its orderly transition plan to meet the requirements to changeover to IFRS. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences. The major changes identified include the addition of a statement of cash flows and the classification of unitholder's equity (puttable instruments) as a liability unless certain conditions are met, as well as more extensive note disclosure requirements. These changes will not have an impact on the Fund's results of operations or financial position.

The process of evaluating the potential impact of IFRS on the financial statements is ongoing as the International Accounting Standards Board and the Canadian Accounting Standards Board continue to issue new standards and recommendations.