

# OCP CREDIT STRATEGY FUND

Monthly Update as at December 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:	\$261,335,573 *
NAV per Unit:	\$8.60 *
Market Price:	\$8.50 *
Latest Distribution: December 30, 2011	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$1.4786

\*As at December 31, 2011

## Commentary

Net performance of OCP Credit Strategy Fund 0.38% in December and (1.93%) for the full year 2011. Following weakness early in December, the markets were encouraged by positive news from Europe and U.S. economic data reflecting improvements in housing, manufacturing, and employment. The CS Leveraged Loan Index, CS High Yield Bond Index, and S&P500 returned 0.51%, 2.47%, and 1.02% in the month, respectively.

The Portfolio's modest gain was driven by net positive corporate events in certain holdings partially offset by the Portfolio's shorts and hedges. Positive performers included Capmark (restructured equity, secured bonds) and a major U.S. airline (secured bonds) that declared bankruptcy (note: while not a top five performer, this new position was a meaningful contributor). Capmark equity gained following the announcement during its first investor call since exiting bankruptcy in September that cash generation in the third quarter exceeded expectations. Capmark's management also reaffirmed the value of the company's loan portfolio, its principal asset. We initiated several secured bond positions, including Enhanced Equipment Trust Certificate (EETC) bonds, in a major U.S. airline, shortly following the company's bankruptcy filing. Our purchases focused on EETC bonds secured by airplanes that we consider to be core to the airline's fleet and/or well covered by the asset value of the airplane collateral. We believe that the company will agree to perform under these obligations while it continues to use this collateral, a decision that is required within 60 days of their bankruptcy filing. In December, the company agreed to continue to perform under one of the EETC bonds in the Portfolio. These bonds provide attractive current yield and opportunity for additional price appreciation if the yields on our positions tighten to levels comparable to other airlines' well secured EETCs.

Detractors from performance included Tribune Company (senior secured loans, revolving credit) and Clearwire Communications (bond short). The Portfolio's Tribune holdings traded lower after the judge overseeing the company's bankruptcy case delayed confirmation hearings until late in the second quarter. Tribune and certain of its creditor groups had hoped to resolve the case by the end of the first quarter. Despite the delay, Tribune's financial results remain in line with expectations and we believe there is attractive upside that will be realized. The Portfolio's short position in Clearwire bonds lost money following the announcement of a funding and new roaming agreement with majority owner Sprint. While we anticipated an agreement, we believed Sprint would allow Clearwire to enter a 30-day grace period on its December 1<sup>st</sup> interest payment before striking a deal. Clearwire had publicly raised the possibility of entering the grace period to preserve liquidity while negotiating with Sprint. Going forward we still see many challenges facing Clearwire including questions regarding the compatibility of its network technology with important wholesale customers and the lack of attractive phone offerings for consumers.

During the month, the Fund's invested level increased as we initiated several new positions and added to existing positions such as the airline position referenced above.

# OCP CREDIT STRATEGY FUND

Monthly Update as at December 31, 2011



## Five Strongest and Weakest Performers

### Strongest

Edison Mission Senior Note
Capmark Financial Restructured Equity
Lehman Brothers Senior Notes / Claims
CIT Equity, Notes
Intelsat Senior Bond

### Weakest

Spanish Gov't. Bond (Short)
Clearwire Senior Note (Short)
Tribune Secured Credit Facility
Lightsquared Secured Term Loan
Aircastle Secured Debt

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	11.56%	0.00%	11.56%
Independent Power Pr	10.87%	-0.01%	10.86%
Transportation	10.74%	0.00%	10.74%
Telecom	6.62%	-0.69%	5.93%
Gaming/Leisure	5.38%	-0.91%	4.46%
Media	3.51%	0.00%	3.51%
Aerospace	3.08%	0.00%	3.08%
Energy Service	2.68%	0.00%	2.68%
Healthcare	2.42%	0.00%	2.42%
Housing/Building Pro	3.12%	-0.75%	2.37%
Energy	1.74%	0.00%	1.74%
Chemicals	0.67%	0.00%	0.67%
Business Services	1.39%	-0.82%	0.57%
Cable/Wireless Video	0.53%	0.00%	0.53%
Forest Prod/Containe	0.49%	0.00%	0.49%
Consumer Non-Durable	0.05%	0.00%	0.05%
Wireless Communicati	0.00%	0.00%	0.00%
Retail	0.00%	-0.61%	-0.61%
Real Estate	0.11%	-0.98%	-0.87%
Index	0.00%	-5.24%	-5.24%
Other	7.88%	-7.91%	-0.03%
Adjusted Exposure**	72.83%	-17.92%	54.91%

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

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	35.84%	0.00%	35.84%
Corporate Bonds	27.67%	-4.76%	22.91%
Government Bonds	0.00%	-7.91%	-7.91%
Equity	4.32%	-0.49%	3.83%
Other	4.50%	0.00%	4.50%
Call Options	0.00%	0.00%	0.00%
Warrants	0.50%	0.00%	0.50%
Notional value of CDS	0.00%	-4.76%	-4.76%
Notional value of Puts	0.00%	0.00%	0.00%
Adjusted Exposure**	72.83%	-17.92%	54.91%
Cash	27.17%	0.00%	27.17%
Total Exposure	100.00%	-17.92%	82.08%

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

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.