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OCP Credit Strategy Fund – Second Anniversary Letter

This year marked the ten year anniversary of Onex Credit Partner's institutional Debt Opportunity Strategy, an approach to credit investing that has generated attractive absolute and risk-adjusted returns over the past decade. It also marked the second anniversary of the OCP Credit Strategy Fund (OCS.UN) (the "Fund"), the TSX listed closed end fund that pursues the same strategy. In this letter we will review the Fund's absolute and relative performance, its ongoing value as a portfolio diversifier and the attractive outlook for the Fund.

In 2011, the Fund preserved capital well versus risk asset classes, generally performing well on an absolute basis in the first half of the year, and on a relative basis in a difficult environment in the second half of the year. Following a total return of 8.0% in 2010, the Fund is slightly down year to date after taking into account distributions that have been paid. Considering the environment, where equity markets have suffered and the TSX has fallen 8% year-to-date, we are satisfied with the performance of the Fund in a very challenging environment. Importantly, its performance is consistent with our objective to generate attractive returns in favorable markets and preserve capital in difficult markets.

In last year's annual letter we laid out our expectations for a slow economic recovery, constrained by corporate and individual deleveraging and the unintended consequences of record government stimulus policies. Looking back, we were correct in our overall assessment, but underestimated the severity of the crisis in Europe. Looking forward, we continue to see attractive opportunity for the strategy to perform related to event driven, corporate debt opportunities, but are cautious due to the potential for on-going market volatility. We continue to evaluate investments and seek the appropriate entry points to add to existing positions and to initiate new ones, mindful of a continuing uncertain global macro-economic backdrop.

While 2011's result is below the strategy's historical annual average, it outperformed risk assets such as Canadian equities and commodities, and is relatively strong within the context of the global markets' extreme volatility during the year. Over the past ten years, the Debt Opportunity Strategy has delivered attractive absolute and risk adjusted returns, outperforming equities with significantly lower volatility. Since the Fund's inception in November 2009 through December 1, 2011[1], it has delivered a total return (including distributions) of 7%, including the 12-months ended December 1, 2011, a volatile 12 month period when its return was essentially flat. 2011 performance thus far is consistent with the Fund's institutional counterpart.

We use our expertise to source, select and actively manage a specialized portfolio focused on senior corporate debt from primarily North American companies we believe are attractively valued and likely to experience a catalyst for capital appreciation. We utilize hedges and shorts to manage the credit, market, interest rate and currency risks associated with the Fund's net long exposure. Historically, the strategy has exhibited only moderate correlation to equities, low correlation to fixed income, and an attractive Sharpe ratio, making it a valuable part of a diversified portfolio. This continues to be a unique and hard to access investment strategy for retail investors.

[1] NAVs are prepared on Thursday of each week

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Performance Review

The external environment for 2011 has been characterized by an initial period of acute optimism followed by a period of strong pessimism and volatility. The VIX index, a measure of equity market volatility, nearly doubled from an average of 18 in the first half of the year, to an average of 31 in the second (July – November). The Fund's ability to preserve capital in such dramatically different and challenging market conditions demonstrates the balanced approach of the Fund's strategy.

In the first half of 2011, the Fund generated strong absolute and risk adjusted performance with a return of 4.3% and volatility of 2.9%, despite the costs associated with hedges and shorts. During the same period, the Fund outperformed Canadian equities and commodities which had returns of -0.4% and -2.6%, respectively and volatility of 6.3% and 9.1%. While performance was negative in the second half (July through December 1), the Fund protected capital relatively well, with a return of -5.9%, compared to Canadian equities -7.6%, and commodities -7.5%, notwithstanding the negative impact of largely technically driven market forces in the third quarter that stemmed from the U.S. debt downgrade and the Euro-zone sovereign debt crisis.

Strategy, Fund, and Asset Class Returns[1]

As of November 2011 (not annualized if less than 1 year)	YTD	1 year	2 years	3 years	5 years	Since Inception
OCP Debt Opportunity Strategy (net)[2]	(1.3)%	0.7%	5.6%	18.1%	6.6%	8.4%
OCP Credit Strategy Fund (net)[3]	(1.7)%	(0.1)%	3.5%	na	na	3.5%
Canadian Equity	(8.1)%	(4.1)%	5.1%	12.3%	1.4%	6.9%
US Equity	1.1%	7.8%	8.9%	14.1%	(0.2)%	2.1%
Commodities	(9.7)%	(0.1)%	3.7%	6.2%	(2.2)%	5.6%
High Yield Bonds	2.9%	4.8%	10.1%	24.2%	6.9%	8.6%
Senior Loans	1.3%	2.6%	6.9%	15.8%	3.4%	4.5%

(1) All indexes are in their local currency. Canadian Equity is represented by the S&P/TSX Composite equity only, US Equity is represented by the S&P500, Commodities are represented by the Dow UBS Commodity Index, High Yield Bonds are represented by the CS High Yield Bond Index, Senior Loans are represented by the CS Leveraged Loan Index. Information about the S&P/TSX Index was obtained from S&P/TSX, S&P500 from Standard & Poor's, the Dow Jones UBS Commodity Index from Dow Jones, and CS High Yield Index and CS Leveraged Loan from Credit Suisse. Indexes are included to show the general trend in the equity, commodity, high-yield, and loan markets in the periods indicated. These numbers are not intended to imply that the portfolio was similar to the indexes either in composition or element of risk. (2) Data is presented for the institutional Debt Opportunity Strategy, the offshore (non-U.S.) feeder for the strategy which also has a U.S. feeder. Performance figures for the Debt Opportunity Strategy are based upon United States generally accepted accounting principles and were prepared by OCP based on audited financial statements through December 31, 2010 and unaudited monthly estimates thereafter. Performance figures are net of expenses and fees (0.125% monthly fixed fee and 20% incentive fee). Net monthly returns for 2001 through 2005 reflect performance of a prior vehicle managed by Michael J. Gelblat and Stuart R. Kovensky for its entire period of existence. December 2005 returns are reported as a percentage of the net assets that remained following the cash distribution of approximately 85% of NAV to investors in anticipation of the liquidation of that prior vehicle. The Debt Opportunity Strategy does not generally make distributions and therefore results reflect the reinvestment of all income. (3) As of 12/1/11, performance figures include distributions paid in the relevant period, and are calculated net of expenses and fees. Past performance is not an indication of future results.

Market Outlook and Opportunity

Periods of uncertainty and volatility have consistently led to stronger opportunities for the strategy. We believe that this type of dynamic is once again being created and we expect the opportunity set for the Fund's opportunistic, event driven, value-oriented strategy to continue to grow. Longer term, we expect the on-going market volatility and global deleveraging to drive an increase in corporate events such as debt refinancings, repayments, restructurings, and other corporate events. Another developing source of events is the large number of impending high yield bond and loan maturities between 2012 and 2019 (US$1.4 trillion) which could increase the Fund's investment universe. The record value (US$1.6 trillion) of new loans and bonds issued between 2009 and YTD 2011, many from lower quality companies, represents an additional source of opportunity. Historically, a surge in new issuance has resulted in an increase in defaults and corporate restructurings, especially of lower quality companies, in the years that follow.

Conclusion

While we are not satisfied with the absolute performance of OCP Credit Strategy Fund in 2011, we believe the Fund successfully weathered the year's volatility, preserving capital well relative to other risk assets.

The alignment among Onex Credit Partners, the Debt Opportunity Strategy, Onex Corp. and the principals and employees of Onex Corp. and OCP continues to be very strong. Importantly, the portfolio construction and holdings in the portfolio continue to be in line with its institutional counterpart. In addition, we have been strategically utilizing the Fund's normal course issuer bid to purchase units below NAV.

The Fund's strategy remains unique, difficult to access and a good source of diversification. The strategy's correlation to Canadian equities since inception (7/1/01) through November 2011 is 0.57. During the year, the Fund's investors profited from exposure to debt refinancings and, or restructurings in industries such as: U.S. homebuilders (SouthEdge, Woodside Holdings), financial institutions (Lehman Brothers, Capmark Financial), and gaming (Boyd Gaming, Caesar's Entertainment).

Looking forward, we see numerous and ongoing market opportunities and believe the Fund is well positioned with significant cash to take advantage of them. The Fund has approximately 32% cash on hand, and is approximately 48% net long (as of November 30). As always, we will deploy capital cautiously and continue to employ hedges and shorts. Based on our long term experience and track record, we are confident in our ability to maintain the current distribution. A fourth quarter distribution of $0.175 per unit was recently announced.

The Debt Opportunity Strategy has demonstrated the ability to generate strong absolute and risk adjusted returns over the long term, and we are confident in its continued ability to do so. We manage the Fund for performance over time, to be evaluated over years and cycles. Investments are actively managed as anticipated events unfold over quarters or years, as opposed to a weekly or monthly basis. While the Fund's NAV has been impacted by largely technically driven, mark-to-market related pricing factors, we remain confident in the fundamental value and event driven potential of its investments.

We appreciate your confidence and trust in Onex Credit Partners and wish you a healthy and happy holiday season.

Onex Credit Partners, LLC
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