

# OCP CREDIT STRATEGY FUND

Monthly Update as at July 31, 2012



## 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:	\$264,737,399*
NAV per Unit:	\$8.82*
Market Price:	\$8.61*
Latest Distribution: June 30, 2012	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$1.8286

\*As at July 26, 2012

## Commentary

Net performance of OCP Credit Strategy Fund was 1.86% and 6.58% in July<sup>1</sup> and year-to-date, respectively. Not surprisingly, concerns over global macroeconomic risks persisted, resulting in several intra-month market swings. Similar to last month, hopes of government policy intervention sparked late month market rallies. This month investors focused on ECB President Draghi's comment that the ECB would do "whatever it takes" to preserve the Euro and on expectations of a weak U.S. first quarter GDP report that might force the U.S. Federal Reserve to implement a third round of quantitative easing (QE3). The CS Leveraged Loan Index, CS High Yield Bond Index, and S&P500 returned 0.97%, 1.76%, and 1.39% in July, respectively.

The Fund's top five performers, which contributed over half of the month's net profit, again included the senior bonds of K. Hovnanian and Beazer Homes. Our investment thesis was that both companies would opportunistically take steps over time to increase liquidity to meet debt service requirements and position themselves for growth as the U.S. housing market rebounds. During the month both improved their liquidity. Hovnanian announced a \$125 million land development transaction and debt for equity swap with a major private equity firm. Beazer raised \$170 million in equity and \$300 million of secured notes (the net proceeds of which were mostly used to repay significantly more expensive debt) and announced that it expects to close on a new \$150 million credit line. The senior secured loans of Tribune Corporation gained as the bankruptcy court judge finally confirmed its plan of reorganization and set in motion the process for Tribune to exit bankruptcy after what will be a nearly four year restructuring. The company should emerge from bankruptcy by the first quarter of 2013.

Both long and short positions contributed to total performance in the period.

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## Five Strongest and Weakest Performers

### Strongest

K Hovnanian Senior Bonds
TXU Senior Secured Term Loan
Tribune Secured Credit Facility
Lehman Brothers Senior Notes, Claims
Beazer Homes Senior Bonds

### Weakest

GM Bonds, Warrants
CIT Equity
Avaya Senior Bonds, Senior Secured Loans
S&P500 Puts
Meritor Convertible Bonds

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	12.10%	0.00%	12.10%
Independent Power Producers	9.39%	0.00%	9.39%
Housing/Building Products	8.34%	-0.87%	7.47%
Transportation	8.10%	-1.65%	6.45%
Aerospace	6.08%	0.00%	6.08%
Telecom	5.61%	0.00%	5.61%
Gaming/Leisure	5.25%	0.00%	5.25%
Energy	6.79%	-1.72%	5.06%
Media	3.64%	0.00%	3.64%
Business Services	4.21%	-1.29%	2.92%
Energy Service	2.65%	0.00%	2.65%
Technology	1.76%	0.00%	1.76%
Healthcare	0.88%	0.00%	0.88%
Food	0.83%	0.00%	0.83%
Chemicals	0.66%	0.00%	0.66%
Forest Prod/Containe	1.34%	-0.99%	0.35%
Real Estate	0.12%	0.00%	0.12%
Manufacturing	0.00%	-0.58%	-0.58%
Consumer Non-Durables	0.00%	-0.86%	-0.86%
Retail	0.00%	-2.09%	-2.09%
Index	0.00%	-5.61%	-5.61%
Other	8.00%	-6.44%	1.56%
<b>Adjusted Exposure**</b>	<b>85.74%</b>	<b>-22.10%</b>	<b>63.64%</b>

\*\* 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, 2011 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.

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	48.92%	0.00%	48.92%
Corporate Bonds	27.34%	-7.43%	19.91%
Government Bonds	0.00%	-6.44%	-6.44%
Equity	5.06%	-0.51%	4.55%
Other	4.00%	0.00%	4.00%
Puts	0.00%	-0.20%	-0.20%
Call Options	0.00%	0.00%	0.00%
Warrants	0.42%	0.00%	0.42%
Notional value of CDS	0.00%	-7.52%	-7.52%
Notional value of Puts	0.00%	0.00%	0.00%
<b>Adjusted Exposure**</b>	<b>85.74%</b>	<b>-22.10%</b>	<b>63.64%</b>
<b>Adjusted Cash****</b>	<b>14.26%</b>	<b>0.00%</b>	<b>14.26%</b>
<b>Total Exposure</b>	<b>100.00%</b>	<b>-22.10%</b>	<b>77.90%</b>

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

\*\*\*\* Cash is adjusted to reflect payment or receipt of proceeds from any unsettled trades and to exclude the proceeds of any short sales.