

# OCP CREDIT STRATEGY FUND

Monthly Update as at December 31, 2013



## 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:	\$253,939,416*
NAV per Unit:	\$9.03*
Market Price:	\$8.92*
Latest Distribution: December 31, 2013	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$2.8786

\*As at December 31, 2013

## Commentary

Net performance of OCP Credit Strategy Fund was 0.66% in December, resulting in a 2013 net return of 9.98%. Credit and equity markets gained, notwithstanding the first round of Federal Reserve tapering mid-month, on improving U.S. growth and moderating global risks. The CS Leveraged Loan Index, CS High Yield Index, and S&P500 returned 0.53%, 0.61%, and 2.52% in the month, respectively.

The Portfolio's top performers in December included Genco and Co-operative Banking Group PLC ("Co-Op"). The senior secured loans of dry bulk shipper Genco appreciated as dry bulk shipping rates increased and steps toward an ultimate reorganization were observed. We expect dry bulk rates to continue their upward trend as industry fundamentals improve over time. Co-Op, a regional U.K. banking group, was in the spotlight earlier this year as the UK regulators turned their attention to the industry as concerns grew over the inability of banks to meet increasing capital requirements. Last spring, Co-Op's bonds fell significantly following announcement of weak earnings and concerns that its capital deficiency was larger than thought and it would need to raise significant additional capital. In June, the regulator announced that the U.K. banking sector needed £25 billion in aggregate regulatory capital (including £1.5 billion by Co-Op), an amount that was above market expectations. In October, after months of negotiations, a comprehensive recapitalization plan was reached to fill Co-Op's regulatory gap with cash from the parent company and the conversion of debt to equity by junior bondholders. We slowly started buying Co-Op's bonds in late November as the process risk subsided and we believed the bonds created Co-Op's equity at an attractive valuation.

There were no significant detractors from performance during the month.

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## Five Strongest and Weakest Performers

<b>Strongest</b>	<b>Weakest</b>
K. Hovnanian Equity, Senior Bond	Glitnir Claim
General Motors Warrants	CMA-CGM Container Senior Secured Loan
Genco Senior Secured Loan	Lehman Brothers Senior Notes, Claims
Co-operative Banking Group Bond	OSG Structurally Senior Loan
Apollo Management Senior Secured Loan	Arch Coal Bond (short)

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
Independent Power Producers	11.09%	0.00%	11.09%
Automobiles	12.33%	-2.46%	9.86%
Gaming/Leisure	7.52%	0.00%	7.52%
Shipping - Dry Bulk	7.13%	0.00%	7.13%
Trucking	5.91%	0.00%	5.91%
Shipping - Tankers	5.69%	0.00%	5.69%
Finance	5.04%	0.00%	5.04%
Housing/Building Products	5.38%	-1.12%	4.26%
Aerospace	3.93%	0.00%	3.93%
Transportation/Logistics	3.38%	0.00%	3.38%
Business Services	2.94%	-0.59%	2.35%
Technology	2.23%	0.00%	2.23%
Energy Service	1.83%	0.00%	1.83%
Shipping - Chemical	1.78%	0.00%	1.78%
Energy	2.51%	-1.84%	0.67%
Food	0.59%	0.00%	0.59%
Chemicals	3.59%	-3.04%	0.55%
Transportation	0.18%	0.00%	0.18%
Media	0.42%	-0.57%	-0.16%
Retail	0.00%	-0.38%	-0.38%
Packaging	0.00%	-0.53%	-0.53%
Telecom	0.00%	-0.59%	-0.59%
Forest Products/Containers	0.00%	-0.71%	-0.71%
Metals/Minerals	0.00%	-1.03%	-1.03%
Index	0.00%	-1.34%	-1.34%
Other	9.99%	-0.87%	9.12%
<b>Adjusted Exposure**</b>	<b>93.44%</b>	<b>-15.07%</b>	<b>78.37%</b>

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

### Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	52.90%	0.00%	52.90%
Corporate Bonds	27.58%	-12.86%	14.72%
Government Bonds	0.00%	-0.87%	-0.87%
Equity	6.99%	-0.43%	6.56%
Other	4.39%	0.00%	4.39%
Puts	0.00%	0.00%	0.00%
Call Options	0.00%	0.00%	0.00%
Warrants	1.58%	0.00%	1.58%
Notional value of CDS	0.00%	-0.91%	-0.91%
Notional value of Puts	0.00%	0.00%	0.00%
<b>Adjusted Exposure**</b>	<b>93.44%</b>	<b>-15.07%</b>	<b>78.37%</b>
Cash****	6.56%	0.00%	6.56%
<b>Total Exposure</b>	<b>100.00%</b>	<b>-15.07%</b>	<b>84.93%</b>

\*\*\* The Portfolio refers to the positions held by 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.

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, 2012 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.