

# OCP CREDIT STRATEGY FUND

Monthly Update as at February 28, 2014



## 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:	\$263,154,780*
NAV per Unit:	\$9.36*
Market Price:	\$9.00*
Latest Distribution: December 31, 2013	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$2.8786

\*As at February 27, 2014

## Commentary

Net performance of OCP Credit Strategy Fund was 1.88% and 3.67% in February and year-to-date, respectively. Markets moved higher discounting both weaker U.S. economic results blamed on cold weather across much of the country and the escalating political risks in Ukraine. High yield bonds benefitted from a resilient equity market and declining treasury yields. The CS Leveraged Loan Index and CS High Yield Index returned 0.22% and 2.02%, respectively, while the S&P500 returned 4.57%.

The Portfolio's five top performers in February accounted for the majority of its positive performance. Top performers included Lehman Brothers, Edison Mission (EME), and Overseas Shipping Group (OSG). The Portfolio's investment in Lehman appreciated as the Lehman estates made meaningful progress towards settling claims and resolving intercompany disputes that should allow for faster distribution of cash than previously anticipated. EME's senior bonds gained following news of a settlement agreement with parent company Edison International (EIX) which clears the way for EME's emergence, ending ongoing litigation and allowing larger and quicker recoveries. We anticipate EME emerging from bankruptcy in the second quarter of 2014, at the latest. OSG, also a top performer in January, is one of the world's largest shippers focusing on the transportation of crude oil and refined petroleum products. The Fund began purchasing OSG's structurally senior loan in November 2012 in anticipation of the company filing for bankruptcy protection, which it did shortly after our purchase. In February, a group holding approximately 72% of the loans reached and executed a plan support agreement with OSG providing a path towards a successful restructuring that could, overtime, provide further upside from current trading levels.

There were no significant detractors from performance, the largest accounting for approximately 11 basis points of gross performance.

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## Five Strongest and Weakest Performers

### Strongest

Lehman Brothers Senior Note, Claim
Edison Mission Senior Bond
Overseas Shipping Group (OSG) Structurally Senior Loan
Co-Operative Banking Group Bond
Freddie Mac Junior Preferred Equity

### Weakest

Air Canada Equity
OSX Secured Bond
Arch Coal Senior Unsecured Note (short)
Ball Corp Unsecured Note (short)
Eagle Bulk Senior Secured Loan

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	13.55%	-0.72%	12.84%
Automobiles	12.54%	-2.53%	10.01%
Gaming/Leisure	7.64%	0.00%	7.64%
Shipping - Dry Bulk	7.59%	0.00%	7.59%
Finance	5.91%	0.00%	5.91%
Shipping - Tankers	5.52%	0.00%	5.52%
Trucking	5.13%	0.00%	5.13%
Housing/Building Products	5.45%	-1.12%	4.33%
Shipping - Chemical	3.50%	0.00%	3.50%
Business Services	2.91%	-0.59%	2.33%
Technology	2.24%	0.00%	2.24%
Aerospace	2.20%	0.00%	2.20%
Energy Service	1.12%	0.00%	1.12%
Energy	2.55%	-1.91%	0.64%
Food	0.61%	0.00%	0.61%
Transportation/Logistics	0.00%	0.00%	0.00%
Media	0.43%	-0.61%	-0.18%
Metals/Minerals	0.00%	-0.22%	-0.22%
Retail	0.00%	-0.38%	-0.38%
Packaging	0.00%	-0.58%	-0.58%
Telecom	0.00%	-0.62%	-0.62%
Forest Products/Containers	0.00%	-0.75%	-0.75%
Chemicals	0.89%	-3.02%	-2.13%
Index	0.00%	-1.35%	-1.35%
Other	9.37%	-0.91%	8.46%
<b>Adjusted Exposure**</b>	<b>89.16%</b>	<b>-15.30%</b>	<b>73.85%</b>

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

### Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	50.25%	0.00%	50.25%
Corporate Bonds	25.57%	-12.33%	13.25%
Government Bonds	0.00%	-0.91%	-0.91%
Equity	7.47%	-1.15%	6.32%
Other	4.51%	0.00%	4.51%
Puts	0.00%	0.00%	0.00%
Call Options	0.00%	0.00%	0.00%
Warrants	1.36%	0.00%	1.36%
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>89.16%</b>	<b>-15.30%</b>	<b>73.85%</b>
Cash****	10.84%	0.00%	10.84%
<b>Total Exposure</b>	<b>100.00%</b>	<b>-15.30%</b>	<b>84.70%</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.