

# OCP INVESTMENT TRUST

Interim Financial Statements for the period  
**January 1, 2014 to June 30, 2014**

**NOTICE TO READER:**

These interim financial statements and related notes for the six-month period ended June 30, 2014 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

OCP INVESTMENT TRUST

STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

	June 30, 2014 \$	December 31, 2013 \$	January 1, 2013 \$
		[Note 11]	[Note 11]
<b>ASSETS</b>			
<b>Current Assets</b>			
Investments held long	263,298,826	234,341,021	224,384,100
Unrealized gain on forward contracts	5,344,345	–	1,341,545
Cash and cash equivalents	46,795,184	77,933,897	85,660,144
Cash on deposit with brokers as collateral	284,803	296,394	994,698
Receivable for investments sold	17,227,107	406,825	13,127,182
Interest and other receivables	704,758	474,019	685,456
<b>Total Assets</b>	<b>333,655,023</b>	313,452,156	326,193,125
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Investments sold short	32,762,196	34,281,111	28,522,019
Unfunded bank debt commitments	47,234	222,322	69,816
Unrealized loss on forward contracts	–	2,660,126	–
Accounts payable and accrued liabilities	856,145	1,261,630	858,748
Performance fee payable [Note 5]	3,070,661	4,705,186	1,335,510
Redemptions payable	5,000,000	–	7,500,000
Payable for investments purchased	47,812,131	17,128,993	25,311,618
Interest payable	489,795	588,855	439,091
<b>Total Liabilities</b>	<b>90,038,162</b>	60,848,223	64,036,802
<b>EQUITY</b>			
Unit capital	174,264,744	193,948,187	224,421,583
Retained earnings	69,352,117	58,655,746	37,734,740
<b>Total Equity</b>	<b>243,616,861</b>	252,603,933	262,156,323
<b>Total Liabilities and Equity</b>	<b>333,655,023</b>	313,452,156	326,193,125
<b>Number of Units Outstanding</b> [Note 6]	<b>17,744,361</b>	19,748,611	22,851,539
<b>Total Equity/Net Assets per unit</b>	<b>\$13.73</b>	\$12.79	\$11.47

See accompanying notes.

**OCP INVESTMENT TRUST**

**STATEMENTS OF COMPREHENSIVE INCOME** (Unaudited)

For the periods ended June 30

	2014 \$	2013 \$
		[Note 11]
<b>INCOME</b>		
<b>Investment Income</b>		
Interest for distribution purposes	4,364,730	5,330,940
Dividends	26,365	-
	<b>4,391,095</b>	5,330,940
<b>Realized and Unrealized Gain (Loss) on Investments</b>		
Foreign currency gain	24,731	1,366,396
Other net changes in fair value of investments		
Net realized gain on investments	16,798,914	10,712,245
Net realized (loss) on derivatives	(80,300)	(2,196,464)
Net realized (loss) on forward contracts	(8,032,823)	(826,031)
Net change in unrealized appreciation (depreciation) of derivatives	7,417,714	(9,997,542)
Net change in unrealized appreciation (depreciation) of investments	3,846,785	18,125,089
Total income	<b>24,366,116</b>	22,514,633
<b>EXPENSES</b>		
Performance fees (Note 5)	3,191,244	2,827,822
Interest expense	1,380,880	1,914,439
Management fees (Note 5)	1,172,444	1,211,109
Harmonized sales tax	573,565	523,108
Other administration costs	50,342	30,966
Custodian and valuation fees	38,703	40,556
Transaction costs (Note 2)	20,739	18,402
Audit fees	12,285	10,142
Independent Review Committee fees	5,625	5,563
Trustee fees	5,000	4,945
Securityholder reporting costs	1,775	3,924
Withholding tax on dividend income (expense)	586	(9,819)
Legal fees	-	4,905
Dividend expense	-	50,241
Total Expense	<b>6,453,188</b>	6,636,303
<b>Profit and total comprehensive income for the period</b>	<b>17,912,928</b>	15,878,330
<b>Earnings/(loss) per unit (Note 10)</b>	<b>0.95</b>	0.72

See accompanying notes.

**OCP INVESTMENT TRUST**

**STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited)**

For the periods ended June 30, 2014 and June 30, 2013

	Share Capital \$	Retained Earnings \$	Total Equity \$
<b>As at January 1, 2014</b>	193,948,187	58,655,746	252,603,933
Changes in equity for 2014:			
Profit (loss) for the period	-	17,912,928	17,912,928
Redemption of units	(19,683,443)	(7,216,557)	(26,900,000)
<b>As at June 30, 2014</b>	<b>174,264,744</b>	<b>69,352,117</b>	<b>243,616,861</b>
<b>As at January 1, 2013</b>	224,421,583	37,734,740	262,156,323
Changes in equity for 2013:			
Profit (loss) for the period	-	15,878,330	15,878,330
Redemption of units	(19,372,014)	(4,227,986)	(23,600,000)
<b>As at June 30, 2013 [Note 12]</b>	<b>205,049,569</b>	<b>49,385,084</b>	<b>254,434,653</b>

See accompanying notes.

OCP INVESTMENT TRUST

STATEMENTS OF CASH FLOWS (Unaudited)

For the periods ended June 30

	2014 \$	2013 \$
		[Note 11]
<b>Cash Flow from Operating Activities</b>		
<b>Profit (loss) for the period</b>	<b>17,912,928</b>	15,878,330
Adjustments for:		
Foreign currency (gain) loss	<b>(24,731)</b>	(1,366,396)
Net realized (gain) on investments	<b>(16,798,914)</b>	(10,712,245)
Net realized (gain) loss on derivatives	<b>80,300</b>	2,196,464
Net realized loss on forward contracts	<b>8,032,823</b>	826,031
Net change in unrealized (appreciation) depreciation on investments	<b>(3,846,785)</b>	(18,125,089)
Net change in unrealized (appreciation) depreciation on derivatives	<b>(7,417,714)</b>	9,997,542
Change in working capital		
(Increase) decrease in cash on deposit with brokers	<b>11,591</b>	(1,634,307)
(Increase) decrease in interest and other receivables	<b>(230,739)</b>	190,905
Increase (decrease) in interest payable	<b>(99,060)</b>	184,905
Increase (decrease) in accounts payable and accrued liabilities	<b>(2,040,010)</b>	1,386,796
(Increase) decrease in accrued interest for short-term investments	<b>(34)</b>	-
Purchase of investments	<b>(125,527,107)</b>	(48,928,779)
Proceeds from sales of investments	<b>120,684,008</b>	77,549,502
<b>Net Cash Generated (Used) by Operating Activities</b>	<b>(9,263,444)</b>	27,443,659
<b>Cash Flows from Financing Activities</b>		
Amount paid on redemption of units	<b>(21,900,000)</b>	(24,700,000)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>(21,900,000)</b>	(24,700,000)
Foreign currency gain	<b>24,731</b>	1,366,396
Net increase (decrease) in cash and cash equivalents	<b>(31,163,444)</b>	2,743,659
Cash and cash equivalents beginning of period	<b>77,933,897</b>	85,660,144
<b>Cash and Cash Equivalents End of Period</b>	<b>46,795,184</b>	89,770,199
Cash and cash equivalents comprise:		
Cash (overdraft) at bank	<b>46,795,184</b>	89,770,199
	<b>46,795,184</b>	89,770,199
Interest received, net of withholding tax	<b>4,297,551</b>	5,521,845
Dividends received, net of withholding tax	<b>25,779</b>	(40,422)
Interest paid	<b>(1,479,940)</b>	(1,729,534)

See accompanying notes.

**OCP INVESTMENT TRUST**

**SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)**

As at June 30, 2014

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
<b>LONG POSITIONS</b>					
<b>SHORT TERM INVESTMENTS</b>					
14,000,000	U.S. Treasury Bills	July 10, 2014	15,021,909	14,945,751	
16,000,000	U.S. Treasury Bills	July 17, 2014	17,167,880	17,080,841	
<b>Total Short Term Investments</b>			<b>32,189,789</b>	<b>32,026,592</b>	<b>13.58%</b>
<b>BONDS</b>					
12,910,957	ACA Financial Guaranty Corporation	Defaulted	2,234,148	2,308,678	
3,848,577	ACST Pass Through Trust Floating Rate	June 14, 2037	3,394,752	3,985,310	
10,250,000	Altegrity Inc., 9.50%	July 1, 2019	10,942,438	10,969,795	
822,000	Avaya, Inc., 9.00%	April 1, 2019	853,532	911,534	
860,000	Beazer Homes USA, 8.125%	June 15, 2016	709,203	1,014,497	
3,000,000	Capmark Financial Group Inc., 6.30%	Defaulted	-	28,023	
342,450	Co-Operative Bank PLC, 11.00%	December 20, 2023	701,075	760,375	
1,193,000	Genco Shipping & Trading Ltd, 5.00%	Defaulted	560,448	1,260,857	
5,755,000	Global Ship Lease Inc., 10.00%	April 1, 2019	6,284,563	6,604,562	
5,670,000	International Automotive Components Group, 9.125%	June 1, 2018	5,242,814	6,431,351	
6,053,926	K Hovnanian Enterprises, 7.500%	May 15, 2016	4,696,657	6,915,302	
940,000	K Hovnanian Enterprises, 8.625%	January 15, 2017	795,711	1,106,360	
230,000	K Hovnanian Enterprises, 9.125%	November 15, 2020	224,134	273,774	
385,000	Landsbanki Islands HF, 6.10%	Defaulted	26,598	42,128	
645,000	Lehman Brothers Holdings Inc., 3.60%	Defaulted	-	135,993	
3,024,000	Lehman Brothers Holdings Inc., 5.625%	Defaulted	475,429	625,480	
13,526,000	Lehman Brothers Holdings Inc., 6.20%	Defaulted	1,120,015	2,887,949	
19,700,000	Lehman Brothers Holdings Inc., 6.875%	Defaulted	-	4,206,166	
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	-	471,392	
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	-	471,392	
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	60,002	471,392	
1,586,000	Lehman Brothers Treasury Co. BV, 0.00%	Defaulted	429,282	478,313	
48,790,000	Lehman Brothers Treasury Co. BV, 7.585%	Defaulted	-	1,305,101	
4,480,500	Meritor, Inc., 4.625%	March 1, 2026	4,045,299	5,100,066	
2,000,000	Smurfit-Stone Container Corporation, 8.375%	Defaulted	-	1,068	
2,150,000	Texas Competitive Electric Holdings Company, 11.50%	Defaulted	1,572,061	2,094,409	
450,000	USG Corporation, 7.875%	March 30, 2020	446,644	532,043	
1,680,000	Vertellus Specialties, Inc., 9.375%	October 1, 2015	1,748,874	1,797,976	
<b>Total Bonds</b>			<b>46,563,679</b>	<b>63,191,286</b>	<b>26.79%</b>

**OCP INVESTMENT TRUST**

**SCHEDULE OF INVESTMENT PORTFOLIO** (Unaudited) continued

As at June 30, 2014

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
<b>BANK DEBT</b>					
5,810,953	Alon USA Partners, LP, Term Loan B	November 26, 2018	5,692,814	6,412,879	
2,796,313	Avaya Inc., Term Loan B5	March 31, 2018	3,081,268	2,986,796	
1,351,247	Avaya Inc., Term Loan B3	October 26, 2017	1,224,630	1,411,362	
1,300,000	Caesars Entertainment Operating Co.Inc. (formerly known as Harrah's Operating Company Inc.) Term Loan B-7	January 28, 2018	1,405,271	1,368,565	
2,877,079	Caesars Entertainment Operating Co.Inc. (formerly known as Harrah's Operating Company Inc.) Term Loan B-4	October 31, 2016	2,977,888	3,078,160	
3,574,000	Caesars Entertainment Operating Co.Inc. (formerly known as Harrah's Operating Company Inc.) Term Loan B-6	January 28, 2018	3,379,587	3,557,464	
5,924,230	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	6,218,758	6,349,036	
17,707,000	Capmark Financial Group Inc.	Defaulted	66,211	160,677	
497,355	Ceva Group PLC (Dutch), Term Loan	March 19, 2021	546,308	520,335	
472,812	Ceva Group PLC (Pre-funded LC), Term Loan	March 19, 2021	516,576	494,657	
686,007	Ceva Group PLC (USD), Term Loan	March 19, 2021	753,528	717,703	
85,751	Ceva Group PLC, Term Loan	March 19, 2021	94,191	89,713	
559,530	Eagle Bulk Shipping Inc., Revolving Commitment	December 31, 2015	552,772	573,436	
10,644,922	Eagle Bulk Shipping Inc., Term Loan	December 31, 2015	9,486,939	10,909,478	
257,053	Eastman Kodak Company, Term Loan	September 3, 2019	273,252	278,305	
3,661,080	Eitzen Chemical (Singapore) Pte Ltd., Senior Term Loan	May 6, 2016	3,294,043	3,634,815	
119,702	Eitzen Chemical (Singapore) Pte Ltd., Term Loan A	May 6, 2016	108,073	129,066	
3,475,516	Eitzen Chemical (Singapore) Pte Ltd., Term Loan II	May 6, 2016	3,115,933	3,506,238	
1,428,017	Eitzen Chemical (Singapore) Pte. Ltd \$170 facility, Term Loan	May 6, 2016	1,288,713	1,067,141	
95,708	Eitzen Chemical Invest (Singapore) Pte. Ltd \$4.7 facility, Term Loan	May 6, 2016	86,372	101,152	
264,637	Eitzen Chemical SicheM Pearl Shipping Co Pte. Ltd. Term Loan	May 6, 2016	238,821	169,509	
6,300,000	Genco Shipping & Trading, Term Loan	July 20, 2017	6,053,684	7,263,643	
4,613,872	Glitnir Bank HF (Euro), Claim	Defaulted	1,719,057	2,006,061	
16,890,413	Glitnir Bank HF (USD), Claim	Defaulted	4,797,954	5,634,826	
121,280	Gold Bridge Shipping (WCRC), Term Loan	Defaulted	131,825	129,473	
7,000,000	Gold Bridge Shipping, Term Loan	Defaulted	5,706,460	5,604,663	
5,800,778	Indiana Toll Road Concession	Defaulted	4,377,471	4,644,486	



**OCP INVESTMENT TRUST**

**SCHEDULE OF INVESTMENT PORTFOLIO** (Unaudited) continued

As at June 30, 2014

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
15,468,000	Lehman Brothers Specialty Finance Claim	Defaulted	-	3,240,664	
3,771,554	Navistar Financial Corporation, Term Loan	December 2, 2016	3,413,477	3,895,485	
5,042,925	Navistar Inc., Term loan B	August 17, 2017	5,034,748	5,487,906	
3,150,000	OSX 2 Leasing BV, Term Loan	October 25, 2023	3,034,779	2,824,750	
11,804,492	Overseas Shipholding Group, Inc., Revolving Commitment	Defaulted	10,229,181	13,452,574	
873,454	Promotora De Informaciones, S.A Tranche 2	December 12, 2018	1,028,749	1,008,460	
3,076,546	Promotora De Informaciones, S.A Tranche 3	December 12, 2019	3,623,536	3,552,074	
140,739	Realogy Group LLC, Extended Synthetic Commitment	October 10, 2016	130,580	149,871	
1,955,038	Sequa Corporation, Term Loan	June 19, 2017	2,101,468	2,066,239	
7,146,836	Texas Competitive Electric Holdings Company, Revolver	October 10, 2016	5,530,006	6,180,008	
2,150,000	Texas Competitive Electric Holdings Company, 2017 L/C	October 10, 2017	1,532,174	1,882,099	
7,335,000	Texas Competitive Electric Holdings Company, 2017 Term Loan	October 10, 2017	5,003,950	6,460,175	
5,757,486	TORM (DANSKE-BNP)	December 31, 2016	4,738,347	4,671,288	
1,674,000	TORM (NORDEA-DB)	December 31, 2016	1,224,769	1,143,736	
6,000,000	TORM (NORDEA-NORDEA)	December 31, 2016	4,376,174	3,907,251	
3,102,030	Travelport Inc., Term loan	June 26, 2019	3,231,129	3,383,339	
2,354,190	Travelport Inc., Term Loan	January 31, 2016	2,452,296	2,582,970	
3,104,400	YRC Worldwide, Inc., Term Loan	February 13, 2019	3,378,985	3,363,829	
<b>Total Bank Debt</b>			127,252,747	142,052,357	60.23%
<b>EQUITIES AND WARRANTS</b>					
180,000	Air Canada, Class B		220,716	1,715,400	
334,817	Capmark Financial Group Inc.		-	1,697,819	
7,360	D.R. Horton, Inc.		145,182	193,130	
24,923	Delphi Automotive PLC		540,373	1,828,410	
6,177	Eagle Bulk Shipping Inc., W-A-4 Warrants, June 20, 2022		4,300	824	
9,892	Eagle Bulk Shipping Inc., W-B-4 Warrants, June 20, 2022		4,300	1,320	
9,892	Eagle Bulk Shipping Inc., W-C-4 Warrants, June 20, 2022		4,300	1,320	
27,783,338	EME Reorganization Trust		4,766,182	4,718,944	
46,000	Federal Home Loan Mortgage Corporation, Preferred R Series, 7.625%		133,777	459,155	
69,000	Federal Home Loan Mortgage Corporation, Preferred S Series, 8.250%		227,718	762,394	

**OCP INVESTMENT TRUST**

**SCHEDULE OF INVESTMENT PORTFOLIO** (Unaudited) continued

As at June 30, 2014

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
138,000	Federal Home Loan Mortgage Corporation, Preferred Z Series, 8.375%		451,206	1,607,289	
97,500	Freddie Mac Common		418,638	401,774	
36,750	Genco Rights Offering		741,530	730,724	
3,826	General Motors Company		165,867	148,266	
69,004	General Motors Company, Warrants A, July 10, 2016, \$10.00		1,512,182	1,960,240	
69,004	General Motors Company, Warrants B, July 10, 2019, \$18.33		1,165,448	1,353,251	
217,403	Hovnanian Enterprises Inc.		781,266	1,195,262	
4,600	Lennar Corporation		151,469	206,055	
45,144	Mach Gen Common Units		3,119,384	2,686,799	
18,095	Motors Liquidation Company GUC Trust		-	496,457	
4,125,668	Penson Technologies LLC, Class A		838,865	812,167	
60,160	ProShares UltraShort Euro ETF		1,068,427	1,095,022	
178,500	Rentech, Inc.		389,869	493,547	
5,520	The Ryland Group, Inc.		154,477	232,416	
12,766	Tribune Company		836,342	1,159,096	
42	Tribune Company, Warrants, December 31, 2032		-	3,784	
122,000	US Power Generating Company		457,431	67,726	
<b>Total Equities and Warrants</b>			18,299,249	26,028,591	11.04%
<b>FORWARD CONTRACTS</b>					
<b>United States Dollars</b>					
	Forward currency contract				
	October 31, 2014		-	5,344,345	
<b>Total Forward Contracts</b>			-	5,344,345	2.27%
<b>Total Long Positions</b>			224,305,464	268,643,171	113.91%
<b>SHORT POSITIONS</b>					
<b>BONDS</b>					
(1,380,000)	Accuride Corp., 9.50%	August 1, 2018	(1,350,611)	(1,555,579)	
(900,000)	Alpha Natural Resources, 6.25%	June 1, 2021	(806,254)	(689,374)	
(1,410,000)	AMC Networks Inc., 4.750%	December 15, 2022	(1,403,864)	(1,520,305)	
(1,380,000)	Arch Coal Inc., 7.00%	June 15, 2019	(1,194,782)	(1,130,701)	
(3,170,000)	Arch Coal Inc., 7.25%	June 15, 2021	(3,056,774)	(2,504,270)	
(1,410,000)	Avis Budget Car Rental LLC, 4.875%	November 15, 2017	(1,427,310)	(1,580,515)	
(1,380,000)	Ball Corporation, 4.00%	November 15, 2023	(1,367,509)	(1,417,980)	
(1,380,000)	CenturyLink Inc., 5.80%	March 15, 2022	(1,459,521)	(1,548,729)	
(1,350,000)	Cenveo Corporation, 8.875%	February 1, 2018	(1,265,385)	(1,516,531)	

OCP INVESTMENT TRUST

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) continued

As at June 30, 2014

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
(1,660,000)	FMG Resources, 6.875%	April 1, 2022	(1,857,359)	(1,913,912)	
(1,380,000)	Goodyear Tire & Rubber Company, 6.50%	March 1, 2021	(1,502,343)	(1,613,182)	
(1,380,000)	Jaguar Land Rover Automotive PLC, 5.625%	February 1, 2023	(1,466,006)	(1,576,352)	
(1,600,000)	Radiation Therapy Services, Inc., 8.875%	January 15, 2017	(1,797,533)	(1,776,411)	
(920,000)	Sealed Air Corporation, 5.25%	April 1, 2023	(944,103)	(1,006,704)	
(705,000)	Sealed Air Corporation, 6.50%	December 1, 2020	(778,091)	(854,231)	
(1,880,000)	Styrolution Group GmbH, 7.625%	May 15, 2016	(2,553,439)	(2,855,827)	
(1,840,000)	Tronox Finance LLC, 6.375%	August 15, 2020	(1,844,872)	(2,047,783)	
(2,100,000)	US Treasury, 2.75%	November 15, 2023	(2,199,588)	(2,296,686)	
(2,150,000)	USG Corporation, 7.75%	January 15, 2018	(2,305,721)	(2,771,506)	
<b>Total Bonds</b>			<b>(30,581,065)</b>	<b>(32,176,578)</b>	<b>(- 13.64)%</b>
<b>EQUITY</b>					
(97,500)	Fannie Mae Common		(412,826)	(406,979)	(- 0.17)%
<b>CREDIT DEFAULT SWAPS</b>					
1,918,000	CDX HY 22	June 20, 2019	(168,808)	(178,639)	
<b>Total Credit Default Swaps</b>			<b>(168,808)</b>	<b>(178,639)</b>	<b>(- 0.07)%</b>
<b>UNFUNDED BANK DEBT COMMITMENT</b>					
(188,493)	Eagle Bulk Shipping, Unfunded Term Loan	December 31, 2015	(25,595)	(8,049)	
(224,044)	Eitzen Chemical (Singapore) Pte. Ltd. Super Senior Facility, Term Loan B	May 6, 2016	(37,920)	(35,877)	
(114,003)	Gold Bridge Shipping, Unfunded WCRC	Defaulted	-	-	
(31,971)	Indiana Toll Road, Unfunded Term Loan	Defaulted	(11,312)	(8,533)	
(72,508)	OSG R/C Old, Unfunded Term Loan	Defaulted	(9,512)	5,225	
<b>Total Unfunded Bank Debt Commitment</b>			<b>(84,339)</b>	<b>(47,234)</b>	<b>(0.02)%</b>
<b>Total Short positions</b>			<b>(31,247,038)</b>	<b>(32,809,430)</b>	<b>(13.91)%</b>
Adjustment for transactions costs			(30,977)	-	
<b>Total Investments</b>			<b>193,027,449</b>	<b>235,833,741</b>	<b>100.00%</b>

See accompanying notes.

## OCP INVESTMENT TRUST

# NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### 1. THE FUND

OCP Investment Trust (the "Fund") is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 27, 2009. On November 20, 2009 the Fund commenced operations.

The Fund was established for the purpose of acquiring and holding an actively managed, diversified portfolio (the "Portfolio") comprised primarily of senior debt obligations of non-investment grade North American issuers.

The manager of the Fund is Onex Credit Partners, LLC (the "Manager"), as such, the Fund is dependent on the Manager for the administration and management of all matters relating to its operations.

The Fund's registered office is at 161 Bay Street, 49<sup>th</sup> Floor, Toronto, Ontario M5J 2S1.

The financial statements of the Fund for the period ended June 30, 2014 were authorized for issue by the Manager on August 26, 2014.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as issued by International Accounting Standards Board (IASB). The Fund adopted International Financial Reporting Standards (IFRS) on January 1, 2014 with a transition date of January 1, 2013, as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP).

Subject to certain transition elections disclosed in note 11, the Fund has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements prepared under Canadian GAAP.

The financial statements have been prepared on a going concern basis using the historical cost convention except for financial assets and financial liabilities measured at fair value.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Significant estimates include the valuation of investments, forward contracts and unfunded bank debt commitments, classification of redeemable units, determination of functional currency and classification of the Fund as an investment entity. These estimates are based on information available as at the reporting date. Actual results could differ from those estimates.

#### Functional currency

The financial statements are presented in Canadian dollars (CAD), which is the currency of the primary economic environment in which the Fund operates and is considered the functional and presentation currency of the Fund.

#### Financial instruments

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

#### (i) Classification and recognition of financial instruments

The Fund classifies financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39).

#### Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss (FVTPL) is sub-divided into:

*Financial assets and liabilities held for trading:* Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. All derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Funds' policy is not to apply hedge accounting.

*Financial instruments designated as fair value through profit or loss upon initial recognition:* All investments held by the Fund (other than derivatives) are designated as fair value through profit or loss upon initial recognition. The Fund includes both long and short positions of equities, bonds, and other interest-bearing investments in this category. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's prospectus.

## OCP INVESTMENT TRUST

# NOTES TO FINANCIAL STATEMENTS continued

The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments.

### **Other financial assets and liabilities**

All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. Included in this category are receivable for investments sold, interest and other receivables, accounts payable and accrued liabilities, performance fee payable, redemptions payable, payable for investments purchased and interest payable. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

### **(ii) Valuation of financial instruments**

Financial assets and financial liabilities at FVTPL are recorded in the statements of financial position at fair value upon initial recognition. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss. All other financial assets and liabilities (other than those classified as FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments which are classified as FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded as "unrealized appreciation (depreciation) of investments" in the statements of comprehensive income. "Net realized gain (loss) on sale of investments" and "unrealized appreciation (depreciation) of investments" are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Other financial assets and liabilities (other than those classified as FVTPL) are measured at amortized cost.

The Fund meets the definition of an investment entity within IFRS 10 *Consolidated Financial Statements* and is required to measure its subsidiaries, if any, at FVTPL rather than consolidate them. The fair values of each specific type of investment and derivative are determined in the following manner:

### **Portfolio investments**

In the case of publicly traded securities, fair value means the close or last traded price when the price falls within the day's bid-ask spread. For bonds and bank debt (including unfunded bank debt commitments), fair market value means the bid price provided by independent security pricing services or broker quotes for investments held long and ask price for investments sold short. In the circumstance where the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions, or a different point within the bid-ask spread that the Manager determines to be more representative of fair value.

### **Derivatives**

The Fund is permitted to invest in forward foreign currency contracts to hedge foreign currency exposure on the investment portfolio. The value of forward currency contracts is recorded as the unrealized gain or loss that would be realized if the position was to be closed out and recorded as "Unrealized gain or loss on forward contracts" in the statements of financial position. Upon maturity of the contracts, the difference between the carrying value and the fair value is included in "Net realized gain (loss) on forward contracts" in the statements of comprehensive income.

Credit default swaps and forward contracts are valued on each valuation date according to the gain or loss that would be realized if the contracts were closed out. Unrealized gains and losses on derivatives are included in the statements of comprehensive income under "Net change in unrealized appreciation (depreciation) of derivatives". Realized gains and losses on credit default swaps, options, warrants and on forward contracts are included in the statements of comprehensive income under "Net realized gain (loss) on derivatives" and "Net realized gain (loss) on forward contracts" respectively.

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if the security declines in price between those dates. The gain or loss that would be realized if, on the valuation date, the position were to be closed out is reflected in the statements of comprehensive income in "Net change in unrealized appreciation (depreciation) of investments". When the short position is closed out, the gain and loss is realized and included in the statements of comprehensive income in "Net realized gain on investments".

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain a margin account with the prime broker containing cash and liquid securities such that the amount deposited as margin will be more than the current market value of the security sold short. Cash on deposit with brokers as collateral is noted in the statements of financial position.

### **Other financial assets and liabilities**

Other assets and liabilities are short-term in nature and are carried at amortized cost.

## NOTES TO FINANCIAL STATEMENTS continued

### **(iii) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

### **Income and expense recognition**

The accrual method of recording income and expenses is followed.

### **Redeemable participating units**

The Fund's redeemable shares meet the criteria of equity classification of puttable instruments in accordance with IAS 32, *Financial Instruments: Presentation* (IAS 32). All redeemable unitholders are classified as unit capital in the statements of financial position. The movement in unit capital is shown in the statements of changes in financial position.

### **Foreign currency translation**

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

Realized foreign currency gains and losses on investment transactions, and unrealized foreign currency gains and losses on other net assets are included in the statements of comprehensive income in "Foreign currency gain (loss)". Realized gain or loss on forward contracts are included in "Net realized gain (loss) on forward contracts" on the statements of comprehensive income. Unrealized foreign currency gains and losses on investments and derivatives are included in the statements of comprehensive income in "Net change in unrealized appreciation (depreciation) of investments" and "Net change in unrealized appreciation (depreciation) of derivatives", respectively.

### **3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

OCP INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS continued

The breakdown of the Fund into the three-level hierarchy is as follows:

As at June 30, 2014:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities and warrants	21,727,697	4,300,894	-	26,028,591
Bonds	-	63,191,286	-	63,191,286
Short term notes	-	32,026,592	-	32,026,592
Bank debt	-	142,052,357	-	142,052,357
Forward contracts	-	5,344,345	-	5,344,345
	<b>21,727,697</b>	<b>246,915,474</b>	<b>-</b>	<b>268,643,171</b>

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial liabilities</b>				
Equities	406,979	-	-	406,979
Bonds sold short	-	32,176,578	-	32,176,578
Credit default swaps	-	178,639	-	178,639
Unfunded bank debt commitments	-	47,234	-	47,234
	<b>406,979</b>	<b>32,402,451</b>	<b>-</b>	<b>32,809,430</b>

As at December 31, 2013:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities and warrants	17,870,008	5,479,936	-	23,349,944
Bonds	-	69,197,159	-	69,197,159
Bank debt	-	141,793,919	-	141,793,919
	<b>17,870,008</b>	<b>216,471,014</b>	<b>-</b>	<b>234,341,022</b>

OCP INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS continued

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial liabilities</b>				
Bonds sold short	-	34,082,832	-	34,082,832
Credit default swaps	-	198,280	-	198,280
Unfunded bank debt commitments	-	222,322	-	222,322
Forward contract	-	2,660,126	-	2,660,126
	-	<b>37,163,560</b>	-	<b>37,163,560</b>

As at January 1, 2013:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities and warrants	14,865,523	505,642	-	15,371,165
Bonds	-	72,156,558	-	72,156,558
Bank debt	-	135,114,601	-	135,114,601
Credit default swaps	-	1,452,707	-	1,452,707
Forward contract	-	1,341,545	-	1,341,545
	<b>14,865,523</b>	<b>210,571,053</b>	-	<b>225,436,576</b>

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial liabilities</b>				
Bonds sold short	-	28,232,950	-	28,232,950
Unfunded bank debt commitment	-	69,816	-	69,816
	-	<b>28,302,766</b>	-	<b>28,302,766</b>

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of securities no longer being traded in an active market. For the periods ended June 30, 2014 and December 31, 2013, there were no transfers of financial assets and liabilities from Level 1 to Level 2.

Financial assets and liabilities transferred from Level 2 to Level 1 are the result of securities now being traded in an active market. For the periods ended June 30, 2014 and December 31, 2013, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

The Fund did not hold any significant positions of Level 3 investments at the beginning of, during, or at the end of the reporting periods.

**4. DISTRIBUTIONS**

To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an additional distribution, being the issuance of additional units having a NAV in the aggregate at the date of distribution equal to this difference. Immediately after any such additional distribution, the number of outstanding units will be consolidated such that the unitholder will hold after the consolidation the same number of units as it held before the distribution of additional units. Such distribution is at the discretion of the Manager.



## OCP INVESTMENT TRUST

# NOTES TO FINANCIAL STATEMENTS continued

### 5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.9375% based on the NAV of the Fund. This fee is calculated daily and paid monthly in arrears.

In addition, the Manager is entitled to an annual performance fee (the "Performance Fee") once a unitholder of the Fund has achieved a preferred return of 9.0%. The Performance Fee is calculated and accrued monthly and paid annually (except that when units are redeemed the accrued Performance Fee in respect of such units will be paid at the time of such redemption). The amount of the Performance Fee is determined as of December 31 of each year (the "Determination Date"). The Performance Fee for a given year will be an amount for each unit of the Fund then outstanding equal to 15% of the amount by which the sum of (i) the NAV of such unit at the Determination Date (calculated without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months (such sum being referred to as the "Return"), exceeds the Threshold Amount (as defined below). No Performance Fee will be paid unless the Return exceeds 109% of the Threshold Amount. If the Return exceeds 109% of the Threshold Amount, the Manager will be entitled to a Performance Fee equal to 15% of the Return. The Threshold Amount is the greatest of: (i) the NAV per unit of the Fund immediately following the closing of the offering; (ii) the NAV per unit of the Fund on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (iii) the NAV per unit of the Fund on the Determination Date in the last fiscal year in which a Performance Fee was paid (after payment of such Performance Fee).

During the six month period ended June 30, 2014, the Fund incurred a Performance Fee of \$3,191,244 (June 30, 2013 – \$2,827,822) and management fee of \$1,172,444 (June 30, 2013 – \$1,211,109) of which \$3,070,661 and \$203,071 was owing as at June 30, 2014 (December 31, 2013 – \$4,705,186 and \$217,236) for performance and management fee, respectively.

The Fund is responsible for all costs relating to its administration and operation.

All transactions with the Manager are measured at the exchange amounts, and occur within the normal course of business.

### 6. REDEEMABLE UNITS

Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. The Fund has assessed the unitholder's structure and has determined that equity treatment is the most appropriate classification. Unit capital amounts are determined on a per unit average cost basis. The amount of unit capital and retained earnings as of June 30, 2014 were \$174,264,744 and \$69,352,117 (December 31, 2013 — \$193,948,187 and \$58,655,746, January 1, 2013 — \$224,421,583 and \$37,734,740), respectively.

The Fund is authorized to issue an unlimited number of transferable and redeemable units of one class, each of which represents an equal undivided interest in the net assets of the Fund. The unitholder is entitled to redeem its units outstanding on any business day and will receive a redemption price equal to the NAV per unit of the Fund.

Changes in the number of units outstanding for the periods ended June 30 are summarized as follows:

	2014 #	2013 #
<b>Redeemable units outstanding, beginning of period</b>	<b>19,748,611</b>	22,851,539
Redemption of redeemable units	<b>(2,004,250)</b>	(1,972,540)
<b>Redeemable units outstanding, end of period</b>	<b>17,744,361</b>	20,878,999

### 7. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Fund's overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund's financial performance by employing professional, experienced portfolio managers, by monitoring daily the Fund's positions and market events and by diversifying the investment Portfolio within the constraints of the investment guidelines. To assist in managing risk, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, investment guidelines and securities regulations.

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund mitigates such risk by entering into investment transactions with high credit quality financial institutions.

The Fund invests primarily in senior debt obligations of non-investment grade issuers, including defaulted obligations, which involves risk of loss and price changes due to such factors as an issuer's credit worthiness. This represents the main concentration of credit risk. The fair value

## OCP INVESTMENT TRUST

# NOTES TO FINANCIAL STATEMENTS continued

of the debt securities held in the portfolio includes consideration of the credit worthiness of the issuer. The Schedule of Investments shows which securities are currently in default.

As part of its cash management, the Fund limits its direct exposure to credit loss by placing its cash with high credit quality financial institutions. The maximum exposure to any one debt issuer as of June 30, 2014 was \$16,616,691 representing 6.82% of the net assets of the Fund (December 31, 2013 – \$18,098,451 or 7.17%, January 1, 2013 – \$14,523,781 or 5.54%).

As at June 30, 2014, December 31, 2013 and January 1, 2013, direct exposure to debt securities by credit rating is as follows:

Credit rating	As a % of net assets		
	June 30, 2014	December 31, 2013	January 1, 2013
AA	–	(–0.86)%	(–0.87)%
A	<b>1.64%</b>	3.40%	2.09%
BBB	–	(–1.02)%	(–2.13)%
BB	<b>2.22%</b>	(–3.47)%	3.59%
B	<b>9.91%</b>	19.58%	18.98%
CCC	<b>10.49%</b>	9.54%	8.30%
CC	–	1.92%	4.85%
C	–	–	2.65%
D	–	–	1.94%
NR*	<b>46.69%</b>	40.86%	28.87%

\* Not rated by Standard & Poor's Rating Services.

### Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Fund has financial liabilities outstanding, including investments sold short, unfunded bank debt commitments, forward contract, performance fees payable, interest payable on short positions, accounts payable and accrued liabilities and payable for investments purchased. These financial liabilities are all current and are expected to be settled within three months. The Fund has sufficient liquid assets to settle these financial liabilities.

Redeemable units are redeemable at the holder's option. However, the Manager does not expect that all the units will be redeemed immediately, as holders of these instruments typically retain them for a longer period.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Of the Fund's interest-bearing financial instruments, changes in the prevailing levels of market interest rates is not expected to have a significant impact on their fair values or cash flows.

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests its assets in securities that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. Consequently, the Fund is exposed to currency risk as the fair value of the Portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the periods ended June 30, 2014, December 31, 2013 and January 1, 2013, the Fund does not have a significant exposure to foreign exchange risk as substantially all of the Fund's foreign investments are hedged back to the Canadian dollar.

### Other price risk

Other price risk is the risk that the fair value of equities and warrants will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

## OCP INVESTMENT TRUST

# NOTES TO FINANCIAL STATEMENTS continued

The Fund is subject to normal market fluctuations and the risks inherent in investment in financial markets. The Manager moderates this risk through a careful selection of securities within the parameters of the Fund's investment strategies and through diversification of the investment portfolios. As at June 30, 2014, approximately 10.7% of the Fund's net assets are subject to other price risk (December 31, 2013 – 9.2%; January 1, 2013: – 5.8%). Management's best estimate of the effect on total equity as at June 30, 2014, due to a reasonably possible increase or decrease of 5% in the equity markets, with all other variables held constant, would approximately amount to an increase or decrease of \$1,309,000 (December 31, 2013 – \$1,162,000; January 1, 2013 – \$767,000) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is industry sector, geographical location, product type or counterparty type. A summary of the Fund's concentration risk as at June 30, 2014 is shown in the Fund's schedule of investment portfolio.

## 8. CAPITAL MANAGEMENT

Units issued and outstanding represent the capital of the Fund. The Fund has no restrictions or specific capital requirements and is authorized to issue an unlimited number of redeemable units as specified in its most recent Annual Information Form. Restrictions and specific requirements on the redemption of units are described in Note 6. The statements of changes in financial position and Note 6 outline the relevant changes of the Fund's units for the periods.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 7 while maintaining sufficient liquidity to meet unitholder redemptions.

## 9. TAXATION

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and will follow "financial institution" rules for purposes of the "mark-to-market" provisions contained in the Income Tax Act (Canada). The Fund is not subject to tax on that portion of its income, including net realized capital gains, for its taxation year that is paid or payable to its unitholder. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial income tax legislation, as redemptions occur. It is the intention of the Fund to pay all net taxable income and sufficient net taxable gains so that the Fund will not be subject to income taxes. If the Fund distributes more than it earns, the excess distribution is a return of capital and is not taxable to the unitholder.

The Fund may be subject to "minimum tax" under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

## 10. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the six month periods ended June 30, 2014 and 2013 is calculated as follows:

	June 30, 2014	June 30, 2013
Profit for the period	<b>\$17,912,928</b>	\$15,878,330
Weighted average units outstanding during the period	<b>18,912,966</b>	22,100,500
Earnings (loss) per unit	<b>\$0.95</b>	\$0.72

## 11. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized as follows:

### (i) Transition election

The Fund did not apply any transition exceptions or exemptions to full retrospective application of IFRS, except for the voluntary exemption to designate a financial asset or financial liability at FVTPL upon transition to IFRS. All financial assets and liabilities designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP.

### (ii) Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative period without exception.

## OCP INVESTMENT TRUST

# NOTES TO FINANCIAL STATEMENTS continued

### (iii) Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability unless they meet the criteria mentioned in IAS 32. The Fund's units meet the criteria in IAS 32 for classification as equity and therefore, have been classified as equity on transition to IFRS. Under IFRS, the equity is split between unit capital and retained earnings with balances at December 31, 2013 of \$193,948,187 and \$58,655,746, respectively, and balances at January 1, 2013 of \$224,421,583 and \$37,734,740, respectively.

### (iv) Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of midmarket pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. A reconciliation of equity as of December 31, 2013 and January 1, 2013 and comprehensive income for the period ended June 30, 2013 as previously reported under Canadian GAAP to IFRS due to revaluation of investments at FVTPL is as follows:

Upon transition to IFRS an adjustment of \$38,120 at January 1, 2013 and \$25,680 at December 31, 2013 was recognized to increase carrying amount of the Fund's investments.

Equity	December 31, 2013 \$	January 1, 2013 \$
Equity reported under Canadian GAAP	252,578,253	262,118,203
Revaluation of investments at FVTPL	25,680	38,120
Net assets attributable to holders of redeemable units	<b>252,603,933</b>	262,156,323

Comprehensive Income	June 30, 2013 \$
Comprehensive income reported under Canadian GAAP	15,904,071
Revaluation of investments at FVTPL	(– 25,741)
Profit for the period	15,878,330

There was no change in net asset value per unit as of December 31, 2013 and January 1, 2013 and earnings (loss) for the period ended June 30, 2013 due to these adjustments.

161 Bay Street, 49<sup>th</sup> Floor  
Toronto, Ontario  
M5J 2S1  
(647) 260-4055 or (877) 260-4055  
[www.ocpcreditstrategy.com](http://www.ocpcreditstrategy.com) • [info@ocpfunds.com](mailto:info@ocpfunds.com)

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