

# OCP CREDIT STRATEGY FUND

Monthly Update as at June 30, 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:	\$244,570,604.32*
NAV per Unit:	\$9.28*
Market Price:	\$9.20*
Latest Distribution: June 30, 2014	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$3.2286

\*As at June 30, 2014

## Commentary

June's net performance of OCP Credit Strategy Fund was 1.17% bringing year-to-date net performance to 6.68%. Markets gained as investors remained confident that key central banks will maintain their accommodative stances, geo-political risks were discounted, and stronger domestic reports (e.g. manufacturing, home sales, labor) in June overcame concerns over weak first quarter GDP growth. The S&P 500, CS High Yield, and Leveraged Loan Indexes returned 2.07%, 0.84%, and 0.60% in June, respectively.

The Portfolio's five top performers in June accounted for the majority of performance and included the senior secured loans of Indiana Toll Road ("ITR") and Altegrity. ITR is a 157 mile highway that runs across Indiana, connecting the city of Chicago with the Ohio turnpike. ITR was privatized in 2006 and financed with aggressive traffic growth assumptions that never materialized. In addition, at the time of the transaction, a large floating-to-fixed interest rate swap was entered into. With the decline in rates since 2006, the swap became a liability that significantly increased ITR's secured indebtedness. If not for the negative impact of the swap, we believe ITR's loans would not be impaired. We initiated a position in ITR this past spring having followed the situation for over a year believing that a looming default and transition of the holders to hedge funds would provide an easier path to an appropriate restructuring. We estimate over 80% of the debt has now changed hands even as the price increased.

Altegrity operates three divisions, including Kroll Advisory, which provide background screening, investigative, and technological services. Altegrity completed an expected refinancing in the month and used the proceeds of new first lien loans and notes to repay, at par, the loans held by the Portfolio. The refinancing extends the Company's debt maturities by five years. Its USIS division is in the third year of a Department of Justice investigation and lawsuit pertaining to background checks conducted on behalf of the Federal Government. We believe the resolution of these matters and their financial impact are manageable. We initiated our investment in Altegrity's first lien loans at a discount in early 2012 believing the Company would successfully refinance these loans within 12 to 18 months and added to our position at a discount in June anticipating the refinancing would be completed. We participated in the new refinancing.

The largest detractor from performance during the month represented only 7 basis points of the Portfolio's gross performance

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## Five Strongest and Weakest Performers

### Strongest

Lehman Brothers Senior Note, Claims
TXU Senior Secured Loan
General Motors Warrants and Equity
Indiana Toll Road Senior Secured Loan
Altegrity Senior Secured Loan

### Weakest

Torm Senior Secured Loan
Eagle Bulk Senior Secured Loan
Arch Coal Senior Unsecured Note (short)
FMG Resources Senior Unsecured Bond
Edison Mission Senior Bond

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	9.89%	0.00%	9.89%
Shipping – Tankers	9.55%	0.00%	9.55%
Shipping – Dry Bulk	8.59%	0.00%	8.59%
Gaming/Leisure	8.34%	0.00%	8.34%
Other	9.02%	-0.95%	8.07%
Shipping – Chemical	6.02%	0.00%	6.02%
Trucking	5.23%	0.00%	5.23%
Business Services	5.58%	-0.64%	4.94%
Automobiles	7.16%	-2.65%	4.51%
Housing/Building Products	4.90%	-1.18%	3.72%
Finance	3.36%	-0.17%	3.20%
Aerospace	3.19%	0.00%	3.19%
Transportation/Logistics	2.78%	0.00%	2.78%
Technology	2.30%	0.00%	2.30%
Infrastructure	1.92%	0.00%	1.92%
Media	2.35%	-0.63%	1.72%
Energy Service	1.16%	0.00%	1.16%
Energy	2.63%	-1.78%	0.85%
Packaging	0.00%	-0.59%	-0.59%
Telecom	0.00%	-0.65%	-0.65%
Healthcare	0.00%	-0.74%	-0.74%
Forest Products/Containers	0.00%	-0.77%	-0.77%
Metals/Minerals	0.00%	-0.80%	-0.80%
Chemicals	0.96%	-2.04%	-1.09%
Index	0.00%	-1.29%	-1.29%
<b>Adjusted Exposure**</b>	<b>94.94%</b>	<b>-14.87%</b>	<b>80.07%</b>

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

### Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	54.10%	0.00%	54.10%
Corporate Bonds	26.14%	-12.47%	13.67%
Government Bonds	0.00%	-0.95%	-0.95%
Equity	5.30%	-0.62%	4.68%
Other	8.04%	0.00%	8.04%
Puts	0.00%	0.00%	0.00%
Call Options	0.00%	0.00%	0.00%
Warrants	1.37%	0.00%	1.37%
Notional value of CDS	0.00%	-0.84%	-0.84%
Notional value of Puts	0.00%	0.00%	0.00%
<b>Adjusted Exposure**</b>	<b>94.94%</b>	<b>-14.87%</b>	<b>80.07%</b>
Cash****	5.06%	0.00%	5.06%
<b>Total Exposure</b>	<b>100.00%</b>	<b>-14.87%</b>	<b>85.13%</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, 2013 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.