

# OCP CREDIT STRATEGY FUND

Monthly Update as at July 31, 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:	\$243,704,717.04*
NAV per Unit:	\$9.25*
Market Price:	\$9.50*
Latest Distribution: June 30, 2014	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$3.2286

\*As at July 31, 2014

## Commentary

Net performance of OCP Credit Strategy Fund was (0.35%) and 6.31% for July and year-to-date, respectively. Markets reacted negatively as investors turned their focus to geopolitics (Russia/Ukraine and Israel/ Gaza), the stress in Portugal and the "default" of Argentina. The U.S. high yield bond market faced technical pressures given retail outflows as the market focused on world news and on the risk of rising interest rates. The S&P 500, CS High Yield, and Leveraged Loan Indexes returned (1.38%), (1.26%), and (0.04%) in July, respectively.

While the majority of the Portfolio's positions contributed positively to performance, the lack of significant positive events was outweighed by a few positions that retraced prior gains. With the exception of TXU, none of the other top five detractors nor any of the profitable positions accounted for more than 20bp of performance. The Portfolio's short position in Arch Coal unsecured bonds was profitable in July as our negative sentiment on Arch and the coal industry continues to play out. We continue to believe that Arch and most US coal producers will struggle with declining coal prices and demand as a result of stringent environmental regulations, abundant domestic natural gas and weak met coal prices in addition to overleveraged balance sheets. In July, both coal and natural gas prices fell as cooler than normal summer weather caused a decline in electricity demand and in turn reduced demand for the coal and natural gas inputs used to produce electricity. In addition, global coal prices remained below levels where it is profitable to export most US produced coal. Although Arch Coal has sufficient near-term liquidity, we believed focus would turn to the cash burn we anticipate for the foreseeable future and Arch's apparent inability to support its significant debt levels.

The senior secured loans of TXU traded lower detracting approximately 43bp of performance in July. The cooler weather and weak electricity demand cited above also affected power prices in the months of July/August which are typically the strongest months for power demand in Texas. In addition, higher than estimated gas storage levels contributed to the recent decline in natural gas prices and power prices. The unseasonal weather and weaker power prices also drove down the equity valuations of comparable independent power producers as these trends lowered producers' cash flow expectations in the near term. We continue to believe that TXU will benefit over time from above average power demand growth in Texas and rising natural gas prices over the intermediate and long term (driven by new LNG export plants, coal plant retirements and new chemical plants).

# OCP CREDIT STRATEGY FUND

Monthly Update as at July 31, 2014



## Five Strongest and Weakest Performers

### Strongest

Gold Bridge Shipping Senior Secured Loan  
 Arch Coal Senior Unsecured Note (short)  
 Lehman Brothers Senior Note, Claims  
 Prisa Senior Secured Loan  
 Glitnir Claim

### Weakest

TXU Senior Secured Loan  
 Eagle Bulk Senior Secured Loan  
 Genco Shipping & Trading Senior Secured Loan, Bond  
 K. Hovnanian Equity, Senior Bond  
 Torm 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
Shipping – Tankers	9.63%	0.00%	9.63%
Independent Power Producers	9.36%	0.00%	9.36%
Gaming/Leisure	7.61%	0.00%	7.61%
Shipping – Dry Bulk	7.01%	0.00%	7.01%
Shipping – Chemical	6.35%	0.00%	6.35%
Business Services	5.73%	0.00%	5.73%
Trucking	5.33%	0.00%	5.33%
Automobiles	7.16%	-2.69%	4.47%
Housing/Building Products	4.80%	-1.14%	3.65%
Finance	3.61%	-0.18%	3.43%
Aerospace	3.20%	0.00%	3.20%
Transportation/Logistics	2.80%	0.00%	2.80%
Technology	2.33%	0.00%	2.33%
Infrastructure	1.99%	0.00%	1.99%
Media	2.46%	-0.64%	1.82%
Energy	2.92%	-1.66%	1.27%
Energy Service	1.19%	0.00%	1.19%
Packaging	0.00%	-0.58%	-0.58%
Telecom	0.00%	-0.65%	-0.65%
Healthcare	0.00%	-0.73%	-0.73%
Forest Products/Containers	0.00%	-0.77%	-0.77%
Metals/Minerals	0.00%	-0.81%	-0.81%
Chemicals	0.95%	-2.05%	-1.10%
Index	0.00%	-1.34%	-1.34%
Other	9.41%	-0.97%	8.45%
<b>Adjusted Exposure**</b>	<b>93.86%</b>	<b>-14.22%</b>	<b>79.64%</b>

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

### Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	50.82%	0.00%	50.82%
Corporate Bonds	26.14%	-11.73%	14.41%
Government Bonds	0.00%	-0.97%	-0.97%
Equity	7.58%	-0.66%	6.91%
Other	8.04%	0.00%	8.04%
Puts	0.00%	0.00%	0.00%
Call Options	0.00%	0.00%	0.00%
Warrants	1.29%	0.00%	1.29%
Notional value of CDS	0.00%	-0.86%	-0.86%
Notional value of Puts	0.00%	0.00%	0.00%
<b>Adjusted Exposure**</b>	<b>93.86%</b>	<b>-14.22%</b>	<b>79.64%</b>
Cash****	6.14%	0.00%	6.14%
<b>Total Exposure</b>	<b>100.00%</b>	<b>-14.22%</b>	<b>85.78%</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.