ONEX
CREDIT PARTNERS

OCP Credit Strategy Fund – Fifth Anniversary Letter

Onex Credit Partners will host an update call for the OCP Credit Strategy Fund on Thursday, December 18th, 2014 at 11:00am EST. This annual call is part of our ongoing commitment to communicating with investors.

Dial-in Number: (416) 695-7806 / North American Toll Free: 1-877-695-6175/ Code: 9599507
Replay Number: (905) 694-9451 / North American Toll Free: 1-800-408-3053/ Code: 6502912

Introduction

This year marked the 13th anniversary of Onex Credit Partners' institutional Debt Opportunity Strategy. It also marked the fifth anniversary of the OCP Credit Strategy Fund (OCS.UN) (the "Fund"), the TSX listed closed end fund which pursues the same Debt Opportunity Strategy (the "Strategy").

The Fund offers investors a unique and differentiated investment opportunity, generally available only to institutional investors, and we believe it can be an important component of a diversified portfolio. The Fund continues to deliver attractive risk adjusted returns while emphasizing the preservation of capital

The Fund also provides unitholders with attractive distributions and, since inception, has paid 19 consecutive quarterly cash distributions at a rate of $0.70 per annum (7% based on a $10.00 per Unit issue price). The Fund's structure has allowed distributions to be treated predominately as tax deferred returns of capital.

Performance Review

While we are never satisfied to report slightly positive performance over a one year period, given volatile markets, the strategy has performed in line with expectations and preserved capital. Annual performance for the one year period ended November 30, 2014 was 2.64%[(1)] including distributions. For the one year period, the CS High Yield Bond Index and CS Leveraged Loan Index were up 3.75% and 4.26%, respectively. The Fund performed well on an absolute basis in the first six months of 2014 but had negative performance in a difficult environment in the following five months of the year.

The largest positive contributors to performance in 2014 through November included holdings in Lehman Brothers, Edison International, TXU Energy, Overseas Shipping Group and Arch Coal. Each company experienced one or a series of events that have been discussed in monthly updates over the year.

While performance for the period from July 1 through November 30 was negative, the Fund protected capital relatively well which is one of the key goals of the Strategy. Most of the drawdown in that period was attributable to a lack of significant positive events and a decline that was concentrated in the Fund's remaining investments in the shipping industry, reversal of profits in TXU, and the Fund's holdings in government-sponsored enterprise (GSE's), including Freddie Mac.

Our remaining investments in the shipping sector were adversely affected by a decline in commodity prices. The market grew concerned that low commodity rates foretold continued low charter rates for seaborne traffic and that anticipated charter rate recoveries would be delayed. The Fund's investment in TXU fell in sympathy with all oil and gas related credits as the price of oil declined beyond most market projections. Finally, the Fund's investments in GSEs fell in value at the end of September as a result of a decision by the United States District Court for the District of Columbia dismissing certain claims arising out of actions taken by the U.S. government that negatively impacted these entities.

The Fund's exposure to the shipping sector was reduced over the year as anticipated events occurred, including certain companies exiting restructuring processes, and positions were repaid or sold down following the relevant event. While it is possible that technical pressures may remain, the Fund continues to hold shipping investments where we expect additional events to unfold that will create value. The shipping investments are in larger companies that have delevered or will be delevered through a consensual reorganization, Chapter 11 or a similar insolvency process. The reduced leverage positions, or will position, these companies to be on solid financial footing in an industry still working through a tepid rate environment, while improving their appeal to third party acquirers and providing a platform to capitalize on investment opportunities that can create value.

We continue to maintain an investment in TXU senior secured notes and loans since we still believe the supply / demand environment for power in Texas over the medium term remains attractive. We anticipate growing demand for power in the Texas market and expect gas prices to rise over time, both of which should cause power prices to increase. Texas continues to have a favorable outlook for electric power demand due to an increasing population and anticipated growth in the liquefied natural gas and chemical industries. We also expect progress towards TXU exiting bankruptcy in 2015 which will clarify value for the position.

The decline in the Fund's investment in GSEs is largely uncorrelated to market events. While the District Court's decision referred to above was a setback for the preferred and common stockholders, we believe several avenues remain for the preferred holders that may create significant value in the companies. The District Court case is being appealed and there are still a number of other court cases in progress.

The Fund currently has limited direct exposure to the oil and gas exploration and services sectors given the high leverage of such companies. We had not seen these as investments with appropriate risk / reward characteristics. As the price of oil has halved over the past year, we think these sectors may be sources of opportunity for the Strategy.

The Fund's long and short exposures at the end of November were 82.38% and 12.98%, respectively. The long exposure declined from 95% at the end of June as events unfolded and changed market conditions led us to reduce exposure, largely by not reinvesting proceeds received upon the conclusion of events. This increased purchase power provides flexibility to pursue new opportunities that are being created; we believe the benefit of this flexibility outweighs its potential opportunity cost. Shorts are used for both hedging and investing and have helped to reduce the Fund's volatility during periods of market turbulence.

Market Outlook and Opportunity

Periods of uncertainty and volatility have consistently led to increased opportunities for the Fund. We believe that this dynamic is once again prevalent and we expect the opportunity set for the Fund's opportunistic, event driven, value-oriented strategy to continue to grow. As we enter the new year, we expect that on-going market volatility and global deleveraging will drive an increase in events such as debt refinancings, repayments, restructurings, and other corporate events.

In last year's annual letter we laid out our expectation for the senior secured loan and high yield bond markets to remain strong, as well as our general market view of modest U.S. economic growth, low interest rates, and below average default rates. Our view was that any increase in the default rates would be driven by company specific issues, not broad economic issues. Given the combined $3.3 trillion market value of the high yield bond and senior loan markets, even a small pick-up in the default rate can create event driven opportunities for a Fund the size of OCP Credit Strategy Fund. In addition, we believed the significant volume of issuance of high yield bonds and senior loans in 2013 and the return of riskier deal types at that time would continue to provide additional sources of opportunity.

Our general view was correct; however, markets reacted negatively in the past five months as investors focused on oil prices, geopolitical risks and the slowdown in economic growth in emerging markets, including China. In the last quarter of the year, the precipitous decline in oil prices accelerated market turmoil, directly causing a material loss in value in most oil and gas related companies, and having a negative effect on the performance and valuation of many industrial sectors. Overall, the environment in 2014 can be characterized by an initial period of optimism, followed by a period of volatility and risk aversion. The VIX index, a measure of equity market volatility, tripled from a low of 10.34 on June 20th to a high of 31.06 on October 15th and returned to 11.91 on November 26th.

Our medium- to long-term view remains relatively unchanged from that expressed at the beginning of 2014 since we believe the US economy will continue to experience modest economic growth and low interest rates, however, in light of the extreme drop in oil prices we anticipate somewhat higher default rates than we would have otherwise expected. We feel confident that the opportunity set for the Debt Opportunity Strategy remains strong.

Conclusion

Although we are not satisfied with the absolute performance of OCP Credit Strategy Fund in 2014, we believe the Fund successfully weathered the year's volatility and preserved capital. Since the holdings in the Portfolio continue to be in line with the institutional Debt Opportunity Strategy which has significant investment from Onex Credit, Onex Corp., and the principals and employees of Onex Credit and Onex Corp., a strong alignment of interest has been forged with the Fund. In addition, we have been strategically utilizing the Fund's normal course issuer bid to purchase units below NAV.

Looking forward, we are encouraged to see a growing number of potentially attractive investment opportunities being created from the current market dislocation but remain cautious due to the potential for ongoing market volatility. We continue to evaluate investments and seek the appropriate entry points to add to existing positions and to initiate new ones, mindful of a continuing uncertain global macro-economic backdrop.

We remain confident in the fundamental value and event driven potential of the Fund and its investments. We appreciate your confidence and trust in Onex Credit and wish you a healthy and happy holiday season.

Onex Credit Partners, LLC
December 2014

(1) Performance calculations include distributions paid in the relevant periods and are net of fees and expenses. 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. 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. 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.

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 or the Portfolio to which it is exposed. 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.