Onex Credit hosted its year-end call for OCP Credit Strategy Fund on Tuesday, December 20, 2016 at 11am EST. To listen to a replay of the call:
Replay Number: (905) 694-9451 / North American Toll Free: 1-800-408-3053 / Code: 3435362

This year marked the 15th anniversary of the Debt Opportunity Strategy. It also marked the seventh anniversary of the OCP Credit Strategy Fund (TSX: OCS.UN) (the "Fund"), which pursues the same strategy.

The Fund provides unitholders with attractive distributions and, since inception, has paid 27 consecutive quarterly cash distributions at a rate of $0.70 per annum for a total of $4.80.

A Year in Review

On last year's annual call, we described the difficult investment environment at the time, a challenging year for Fund performance and our positive outlook for the investments in the portfolio and the emerging opportunity set. This year, we are pleased to report our outlook proved correct and the Fund has benefitted from a strong recovery over the last 12 months, as many of our investments generated positive returns after anticipated events came to fruition. Our experience managing this strategy through various economic cycles has proven periods of volatility often create value for event-driven investors like Onex Credit, and 2016 was evidence of this trend.

Performance for the one-year period ended November 30 was 9.88%, including distributions. As of November 30, the Fund was 84% net long, comprised of 98% and 14% gross long and short exposures, respectively.

Our investment approach involves active management of the portfolio. Over the last 12 months, we sold or exited close to 30% of the names held by the Fund at this time last year and replaced them with approximately 20 new names. Eight of the ten most significant positive contributors to performance for the 12-month period ended November 30, 2016 were not among the top contributors last year. Also worth noting, the Fund's largest ten positions are often also the most meaningful contributors to performance and generally represent close to 50% of the Fund's net asset value, which is consistent with our management style of investing with conviction.

The Fund's performance this year was driven by many investments initiated, or added to, as part of a re-positioning of the portfolio in 2015 and early 2016. For example, Momentive Performance Materials ("Momentive") is a chemicals company, which traded down significantly over the course of the last two years. We believe the company offers strong fundamentals and declined in value due to transitory issues with its business, volatility in the high-yield markets and specifically, pressure on the chemicals sector. As well, the bonds have litigation-related upside, to which the market initially attributed little value. This provided additional optionality in the event of a favorable reversal of rulings made when the company exited bankruptcy in 2014. We like situations where we can purchase an undervalued bond or loan that also has additional upside optionality. After managing the position opportunistically, the Fund has seen the benefits of our investment decisions: the investment in Momentive has returned 32% over the last twelve months (including realized and unrealized gains). Performance was driven largely by significant operational improvement, as well as a favorable ruling in a similar issue related to a different company. The Fund's investment in Momentive is currently its largest position and we continue to believe the bonds we own are well-covered, providing effective downside protection, and we expect future upside will be driven by strong operating performance and an increasingly positive outlook on the litigation upside.

Performance also benefitted from some other positions which traded up following the occurrence of anticipated events. As an example, Elizabeth Arden ("ARDEN"), a global prestige beauty company whose products include fragrance, skin care and cosmetics, is a company with various good assets (including its brand value). Its bonds traded down significantly after the company unsuccessfully attempted to expand its business into numerous celebrity-branded products. We began our diligence of ARDEN in December 2015 and in March 2016, initiated a position in the company's deeply discounted bonds, a single $300 million issue overlooked by larger funds. In the case ARDEN was unable to improve the business and/or extend the small upcoming debt maturities, we believed the value of the core ARDEN brands alone would likely cover the company's debt at par. We also viewed ARDEN as a takeover candidate in the longer term. We built our position at mid-$60's prices and, in mid-June, Revlon announced it would buy ARDEN and our bonds traded up above par.

Another significant driver of performance during the year was the Fund's investment in Navistar, a leading manufacturer of commercial trucks, buses, defense vehicles and engines, and the Fund's third-largest position at November 30. We've been investing in Navistar's secured bank loans since 2008 and have followed the company closely for many years. Most recently, the Fund began buying Navistar's unsecured bonds after they traded down significantly during the broader credit market slump in 2015. We observed a mismatch between market price and intrinsic value as we believed the market had not appropriately accounted for Navistar's exposure to certain profitable sectors of the trucking market, and began building a position earlier this year. We also believed the company's unique platform and improving operations could make it an attractive acquisition target. Our investment in Navistar appreciated meaningfully following the September announcement that Volkswagen ("VW") would buy approximately 17% of the company (injecting over $250 million of cash into the business), enter into agreements with Navistar to collaborate on technology and form a procurement joint venture. We share the market's view that VW will likely increase its investment and possibly undertake a full acquisition of Navistar in the future. This partnership with VW, a much larger automotive company, caused Navistar's loans and bonds to trade up to near-par levels and has generated a return since the Fund's initial investment in 2016 of approximately 43% on the bonds (realized gains) and 9% on the loans (realized and unrealized gains).

The Fund's exposure to pure oil and gas exploration and production companies remains modest, although we have found some interesting opportunities in this space where our direct exposure to fluctuating commodity prices is limited, and downside protection is provided by non-commodity assets and/or structural advantages. Furthermore, many of the companies we like traded down along with energy names broadly in 2015, and provided attractive opportunities to initiate new, or grow existing, investments which we believe are significantly undervalued and offer attractive potential upside.

Looking Ahead

True to the Debt Opportunity Strategy, we select and analyze investments with characteristics that may include: (i) a senior position in the capital structure; (ii) a high level of cash flow coverage; (iii) attractive total return potential through a combination of income and capital appreciation; and (iv) anticipated specific events which we believe will have a favorable impact on price. The Fund takes advantage of both larger debt issues of global businesses, as well as smaller situations (like ARDEN), allowing us to be flexible and opportunistic on the timing of investment entry and exit. We believe our team's extensive experience and ability to effectively analyze complex structures and complicated process-driven situations provide us with a competitive advantage.

We are seeing a number of opportunities that meet our criteria in high-yield bonds and loans, either through pricing dislocations or situations where we can identify a company and associated event that can unlock value. The Fund remains focused on individual credit selection and specific events or catalysts.

Looking ahead, we are cautious as the markets may be impacted by additional uncertainty related to political policy following the recent U.S. presidential election, the evolving Brexit situation, world events in Syria and elsewhere in the Middle East and increasing tensions with Russia, to name a few. Further, U.S. CLO risk-retention rules become effective later this month, and regulatory changes may create further inefficiencies in the credit markets. Concerns over rising interest rates, both in the U.S. and abroad, are expected to persist and can fuel volatility in the markets. As we've discussed, volatility creates opportunities for this Fund.

We believe we have the right team and, as always, invest through a fundamental, bottoms-up approach. The portfolio has adequate flexibility to take advantage of developing opportunities and the depth of our experience as an investor across our various credit platforms speaks to our ability to act quickly and efficiently when opportunities arise. Often, credits we own or are considering for investment, are companies we have analyzed and/or invested in over a period of time. Importantly, many of the year's most significant winners still have more upside potential and we expect, in many cases, additional events will come to fruition and drive value.

Over the last 15 years, the Debt Opportunity Strategy has maintained its investment focus and strategy and we have never strayed from what we do best, regardless of how markets have performed. We are personally invested alongside you, our team thanks you for another year together and we look forward to all that lies ahead in 2017 and beyond.

Thank you for your continued support,

Onex Credit

Fund	LTM Performance*	YTD Performance*
OCP Credit Strategy Fund	9.88%	12.64%
Credit Suisse Leveraged Loan Index	7.60%	8.63%
Credit Suisse High-Yield Index	12.65%	15.98%
Composite Credit Suisse Index ("Composite Index")	10.10%	12.12%

** OCP Credit Strategy Fund performance includes distributions. LTM Performance is for the one-year period ending November 30, 2016. YTD Performance is for the 11 months ended November 30, 2016.*

(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, 2015 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.

(2) This year, we have included a composite index which weights the CS-HY and CS-Loan indexes based on the approximate monthly exposure of leveraged loans and bonds held by the Fund, and hope this is a useful tool for investors. This composite index excludes cash, equities and other types of investments held by the Fund. The Fund's mandate within the event-driven, stressed and distressed credit space is opportunistic in nature and the asset mix may evolve based on our perception of the optimal balance between risk and reward.

(3) Information about the Credit Suisse Leveraged Loan and High Yield indexes was obtained from Credit Suisse and is included to show the general trend in the leveraged loan and high-yield debt markets in the periods indicated. These numbers are not intended to imply the portfolio was similar to the indexes either in composition or element of risk. The CS-LL Index is an index designed to mirror the investable sub-investment grade universe of the USD-denominated leveraged loan market. The CS-HY Index is designed to mirror the investable universe of the USD-denominated high-yield debt market.

Past performance is not an indication of future results.

DISCLAIMER AND ADDITIONAL INFORMATION

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. 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.