

OCP CREDIT STRATEGY FUND

Annual Financial Statements for the year ended
December 31, 2017

Table of Contents

Management Responsibility for Financial Reporting	1
Independent Auditors' Report	2
Statements of Financial Position	3
Statements of Comprehensive Income	4
Statements of Change in Equity	5
Statements of Cash Flows	6
Schedule of Investment Portfolio	7
Notes to the Financial Statements	12

OCP CREDIT STRATEGY FUND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Credit Strategy Fund (the "Fund") are the responsibility of the management of the Fund. They have been prepared in accordance with International Financial Reporting Standards using information available to March 28, 2018 and management's best estimates and judgements.

The management of the Fund is responsible for the information and representations contained in these Annual Financial Statements and the Annual Management Report of Fund Performance. Management is also responsible for the selection of the accounting principles that are most appropriate for the Fund's circumstances and for the judgements and estimates made in the financial statements. The management of the Fund maintains appropriate processes to ensure that accurate, relevant and reliable financial information is produced.

These financial statements have been approved by the management of the Fund and have been audited by RSM Canada LLP, Licensed Public Accountants, Chartered Accountants, on behalf of the unitholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.



Josh Spierer
Chief Financial Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 28, 2018



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 28, 2018



RSM Canada LLP

11 King St W
Suite 700, Box 27
Toronto, ON M5H 4C7

T +1 416 480 0160

F +1 416 480 2646

www.rsmcanada.com

INDEPENDENT AUDITORS' REPORT

To the unitholders of

OCP Credit Strategy Fund

We have audited the accompanying financial statements of OCP Credit Strategy Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OCP Credit Strategy Fund as at December 31, 2017 and December 31, 2016, and its financial performance, its changes in equity and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

RSM Canada LLP

Licensed Public Accountants
Chartered Professional Accountants
March 28, 2018
Toronto, Ontario

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING

RSM Canada LLP is a limited liability partnership that provides public accounting services and is the Canadian member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmcanada.com/aboutus for more information regarding RSM Canada LLP and RSM International.

OCP CREDIT STRATEGY FUND

STATEMENTS OF FINANCIAL POSITION

As at (Stated in Canadian dollars)

	December 31, 2017 \$	December 31, 2016 \$
ASSETS		
Current Assets		
Investments held long	78,134,753	121,052,495
Swaps, at fair value	–	75,549
Unrealized gain on forward contracts [Note 3]	–	692,287
Cash and cash equivalents	26,821,319	24,651,765
Cash on deposit with brokers as collateral [Note 3]	311,273	–
Receivable for investments sold	279,509	26,676
Interest and other receivable	706,039	1,139,747
Total Assets	106,252,893	147,638,519
LIABILITIES		
Current Liabilities		
Investments sold short	3,800,959	9,149,238
Swaps, at fair value	156,221	–
Unfunded bank debt commitments	–	11,109
Unrealized loss on forward contracts [Note 3]	22,052	–
Accounts payable and accrued liabilities [Note 6]	339,729	405,423
Distributions payable [Note 5]	2,448,965	3,128,310
Payable for investments purchased	2,401,284	6,979,443
Interest payable	21,714	54,268
Total Liabilities	9,190,924	19,727,791
EQUITY		
Unit capital	73,107,897	102,584,992
Retained earnings	23,954,072	25,325,736
Total Equity	97,061,969	127,910,728
Total Liabilities and Equity	106,252,893	147,638,519
Number of Units Outstanding [Note 7]	13,994,088	17,876,056
Total Equity/Net Assets per unit	\$6.94	\$7.16

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (Stated in Canadian dollars)

	2017 \$	2016 \$
INCOME		
Investment Income		
Interest for distribution purposes	5,196,698	7,564,747
Dividends	146,696	271,661
	5,343,394	7,836,408
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Foreign currency (loss)	(329,618)	(7,013,917)
Other net changes in fair value of investments		
Net realized gain (loss) on investments	6,115,506	(1,792,273)
Net realized gain (loss) on derivatives	26,557	32,112
Net realized gain on forward contracts	5,265,096	124,224
Net change in unrealized (depreciation) appreciation of forward contracts	(714,339)	9,261,729
Net changes in unrealized (depreciation) of investments	(5,199,648)	13,307,870
Net change in unrealized depreciation of derivatives	(284,234)	(405,167)
Total income (loss)	10,222,714	21,350,986
EXPENSES		
Management fees [Note 6]	1,341,664	1,669,060
Interest expense	443,157	677,483
Dealer service fees [Note 6]	429,332	528,089
Custodian and valuation fees	224,520	164,208
Harmonized sales tax	186,537	209,783
Performance fees [Note 6]	90,658	-
Securityholder reporting costs	63,036	78,664
Other administration costs	43,956	42,236
Withholding tax on dividend income (expense)	19,046	35,850
Audit fees	37,617	36,021
Independent Review Committee fees	18,971	18,945
Transaction costs [Notes 6]	43,037	14,576
Legal fees	14,898	13,099
Trustee fees	10,000	10,000
Total Expense	2,966,429	3,498,014
Profit and total comprehensive income for the period	7,256,285	17,852,972
Earnings (loss) per unit [Notes 11]	\$0.48	\$0.92

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 (Stated in Canadian dollars)

	Unit Capital \$	Retained Earnings \$	Total Equity \$
As at January 1, 2017	102,584,992	25,325,736	127,910,728
Changes in equity for 2017:			
Profit (loss) for the period	-	7,256,285	7,256,285
Redemption of units	(22,277,378)	(5,352,460)	(27,629,838)
Distributions to unitholders			
Income	-	(3,275,489)	(3,275,489)
Return of capital	(7,199,717)	-	(7,199,717)
As at December 31, 2017	73,107,897	23,954,072	97,061,969
As at January 1, 2016	150,535,600	12,801,382	163,336,982
Changes in equity for 2016:			
Profit (loss) for the period	-	17,852,972	17,852,972
Redemption of units	(37,711,373)	(2,008,980)	(39,720,353)
Distributions to unitholders			
Income	-	(3,319,638)	(3,319,638)
Return of Capital	(10,239,235)	-	(10,239,235)
As at December 31, 2016	102,584,992	25,325,736	127,910,728

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31 (Stated in Canadian dollars)

	2017 \$	2016 \$
Cash Flows from Operating Activities		
Profit (loss) for the period	7,256,285	17,852,972
Adjustments for:		
Foreign currency loss	329,618	7,013,917
Net realized (gain) loss on investments	(6,115,506)	1,792,273
Net realized (gain) loss on derivatives	(26,557)	(32,112)
Net realized (gain) on forward contracts	(5,265,096)	(124,224)
Net change in unrealized depreciation (appreciation) on investments	5,199,648	(13,307,870)
Net change in unrealized depreciation (appreciation) on forward contracts	714,339	(9,261,729)
Net change in unrealized depreciation (appreciation) on derivatives	284,234	405,167
Changes in working capital		
(Increase) in cash on deposit with brokers as collateral	(311,273)	-
Decrease in interest and other receivable	433,708	4,590,413
(Decrease) in interest payable	(32,554)	(118,139)
(Decrease) in accounts payable and accrued liabilities	(65,694)	(111,433)
Purchase of investments	(154,244,953)	(72,048,376)
Proceeds from sales of investments and settlement of forward contracts	193,127,362	111,202,508
Net Cash Generated by Operating Activities	41,283,561	47,853,367
Cash Flows from Financing Activities		
Distributions to unitholders	(11,154,551)	(14,630,435)
Amount paid on redemption of units	(27,629,838)	(40,675,524)
Net Cash Used by Financing Activities	(38,784,389)	(55,305,959)
Foreign currency (loss) on cash and other assets	(329,618)	(7,013,917)
Net (decrease) in cash and cash equivalents	2,499,172	(7,452,592)
Cash and cash equivalents beginning of period	24,651,765	39,118,274
Cash and Cash Equivalents end of period	26,821,319	24,651,765
Interest received, net of withholding tax	5,630,406	8,350,083
Dividends received, net of withholding tax	127,650	235,811
Interest paid	(475,711)	(795,622)

See accompanying notes.

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
LONG POSITIONS					
BONDS					
4,210,957	ACA Financial Guaranty Corp.	Defaulted	721,926	450,170	
1,749,000	Allegheny Ludlum Corp., 6.950%	December 15, 2025	1,964,574	2,254,709	
86,000	Allegheny Technologies Inc., 5.950%	January 15, 2021	93,645	110,325	
2,741,000	Altegrity Inc., 9.500%	July 1, 2019	2,901,508	3,598,178	
2,006,000	CITGO Holdings Inc., 10.750%	February 15, 2020	2,473,254	2,705,860	
767,927	Emeco PTY Ltd., 9.250%	March 31, 2022	959,990	1,019,908	
568,000	Frontier Communications, 9.000%	August 15, 2031	567,738	476,844	
379,000	Frontier Communications Corporation, 7.625%	April 15, 2024	344,490	315,793	
1,256,000	FTS International Inc.	June 15, 2020	1,713,109	1,611,265	
255,811	Glitnir Holdco, Amortizing Zero Coupon, Convertible Notes	December 31, 2030	285,343	19,308	
1,287,000	Hexion Inc., 6.625%	April 15, 2020	1,482,879	1,452,747	
280,000	Hornbeck Offshore Services Inc., 5.000%	March 1, 2021	216,726	184,882	
2,236,000	Hornbeck Offshore Services Inc., 5.875%	April 1, 2020	1,731,356	1,877,155	
534,000	Intelsat Jackson Holdings, 5.500%	August 1, 2023	585,434	549,043	
455,000	Intelsat Jackson Holdings, 7.250%	October 15, 2020	534,498	537,918	
1,367,000	Intelsat Jackson Holdings, 7.500%	April 1, 2021	1,378,219	1,564,541	
723,000	Intelsat Jackson Holdings, 9.750%	July 15, 2025	954,221	875,218	
929,000	K Hovnanian Enterprises, 7.000%	January 15, 2019	1,173,422	1,153,798	
521,000	K Hovnanian Enterprises, 7.000% 144A	January 15, 2019	482,721	647,071	
161,000	K Hovnanian Enterprises, 10.000%	July 15, 2022	203,633	222,739	
2,000,000	Lehman Brothers Holding Inc., Floating Rate	Defaulted	25,447	115,708	
1,256,537	Lehman Brothers Holdings Inc., 6.200%	Defaulted	16,276	74,276	
48,790,000	Lehman Brothers Treasury Co., BV, 7.585%	Defaulted	-	399,383	
1,586,000	Lehman Brothers Treasury Co., BV, 0.000%	Defaulted	55,429	158,979	
1,552,000	Momentive Performance, 3.880%	October 24, 2021	1,521,855	2,039,788	
572,000	Momentive Performance, 4.690%	April 24, 2022	585,003	755,375	
394,000	Petsmart Inc. 5.875%	June 1, 2025	531,230	380,322	
2,000,000	Smurfit-Stone Container Corp., 8.375%	Defaulted	1,162	1,258	
1,613,000	Texas Competitive Electric Holdings Co., 11.500%	Defaulted	16,020	15,215	
43,590	TXU EFH Claim	Defaulted	23,089	8,086	
111,857	VISTRA TRA (FKA TXU)	Defaulted	200,596	105,512	
Total Bonds			23,744,793	25,681,374	34.63%

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENT PORTFOLIO (continued)

As at December 31, 2017 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
BANK DEBT					
3,508,000	Acosta, Inc. (fka Acosta Holdco, Inc.), Tranche B-1 Loan	September 26, 2021	4,065,974	3,876,138	
1,694,500	Alon USA Partners, LP, Tranche B Term Loan	November 26, 2018	1,988,375	2,136,500	
830,000	Alpha Natural Resources, Inc.	Defaulted	–	13,571	
1,417,866	Azure Midstream Energy LLC, Term Loan	November 15, 2018	1,682,607	1,609,383	
508,666	Bioplan USA, Inc. (Tripolis US LLC), Initial Term Loan (First Lien)	September 23, 2021	516,782	625,354	
1,617,900	CCS Intermediate Holdings, LLC, Initial Term Loan (First Lien)	July 23, 2021	1,899,671	1,851,698	
286,929	Ceva Group PLC (fka Louis No.1 PLC/TNT Logistics), Pre-Funded L/C Loan	March 19, 2021	318,948	343,278	
291,233	Ceva Intercompany BV, Dutch BV Term Loan	March 19, 2021	323,732	348,428	
50,213	Ceva Logistics Canada, ULC (formerly as TNT Canada ULC), Canadian Term Loan	March 19, 2021	55,816	60,074	
401,701	Ceva Logistics U.S. Holdings Inc. (fka Louis U.S. Holdco, Inc.), US Term Loan	March 19, 2021	446,526	480,590	
1,369,879	CITGO Holding, Inc., Term Loan	May 12, 2018	1,695,326	1,729,358	
1,145,531	Commercial Barge Line Company, Initial Term Loan	November 12, 2020	1,429,427	810,413	
452,923	Crosby US Acquisition Corp., Initial Term Loan (First Lien)	November 23, 2020	484,747	553,407	
3,326,147	Cumulus Media Holdings Inc., Term Loan	December 23, 2020	3,358,774	3,597,634	
1,309,650	Del Monte Foods, Inc., Initial Loan (First Lien)	February 18, 2021	1,379,623	1,305,364	
554,000	EXC Holdings III Corp. (aka Excelitas Technologies Corp.), Term Loan	November 15, 2025	700,082	703,733	
300,399	Federal-Mogul Corporation, Tranche C Term Loan (2014)	April 15, 2021	352,294	380,409	
1,126,000	FTS International, Inc. (fka Frac Tech International, LLC), Initial Term Loan	April 16, 2021	1,351,108	1,381,651	
4,113,969	HGIM Corp., Term B Loan	Defaulted	2,897,602	2,043,785	
317,100	HLF Financing S.a r.l. (HLF Financing US, LLC), Senior Lien Term Loan	February 15, 2023	406,363	397,820	
265,000	Kronos Acquisition Intermediate Inc. (aka KIK Custom Products), Initial Loan	August 26, 2022	360,622	335,651	
10,100,000	Lehman Brothers Specialty Finance Claim	Defaulted	–	590,679	
1,155,257	Promotora De Informaciones S.A, PPL Facility Tranche 3	December 12, 2019	1,211,737	1,473,615	
2,255,205	Promotora De Informaciones S.A, Tranche 2	December 12, 2018	2,743,589	3,217,115	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENT PORTFOLIO (continued)

As at December 31, 2017 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
583,488	Promotora De Informaciones S.A, Tranche 3	December 12, 2019	690,554	788,323	
924,000	Research Now Group, Inc., Initial Term Loan (First Lien)	December 20, 2024	1,129,202	1,109,820	
1,255,821	Revlon Consumer Products Corporation, Initial Term B Loan	September 7, 2023	1,315,344	1,176,687	
814,000	Sequa Mezzanine Holdings L.L.C., Initial Loan (Second Lien)	April 28, 2022	1,108,354	1,034,005	
719,385	Sequa Mezzanine Holdings L.L.C., Initial Term Loan (First Lien)	November 28, 2021	925,669	910,048	
1,430,000	STG-Fairway Acquisitions, Inc., Term Loan (First Lien)	June 30, 2022	1,752,815	1,771,533	
231,800	Strike, LLC, Term Loan	November 30, 2022	301,586	294,450	
31,077	TXU EFH CLAIM EXT LC	Defaulted	16,461	5,765	
63,204	TXU EFH CLAIM EXT RC	Defaulted	33,478	11,725	
42,130	TXU EFH CLAIM EXT Term Loan	Defaulted	22,315	7,816	
942,343	Veritas US Inc., New Dollar Term B Loan	January 27, 2023	1,250,065	1,187,654	
519,499	WP CPP Holdings, LLC, Term B-3 Loan (First Lien)	December 28, 2019	660,093	651,944	
1,664,361	YRC Worldwide Inc., Tranche B-1 Term Loan	July 26, 2022	2,003,545	2,084,544	
Total Bank Debt			40,879,206	40,899,962	55.15%
EQUITIES AND WARRANTS					
17,339	AIP/MPM Holdings Inc.		169,860	436,145	
20,057	Air Canada		227,045	519,075	
4,150	Alpha Natural Resources Holdings		23,235	27,402	
7,791	Alpha Natural Resources Holdings Inc., Preferred Shares		26,802	61,242	
4,150	Alpha Natural Resources Inc.		89,890	103,084	
7,791	Alpha Natural Resources Inc., Preferred Shares		106,384	225,371	
3,893	Aptiv PLC		265,891	415,347	
51,927	Avaya Holdings Corp.		1,018,762	1,146,166	
106,953	Bluestem Group Inc.		512,451	80,709	
15,380	Caesars Entertainment Corp.		237,714	244,694	
590	Ceva Holdings LLC		334,580	333,919	
1,809	Contura Energy Inc.		58,462	135,100	
5,867	C&J Energy Services Inc.		238,231	246,973	
1,297	Delphi Technologies PLC		51,559	85,591	
1,068	Eagle Bulk Shipping Inc., Warrants, October 15, 2021		-	121	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENT PORTFOLIO (continued)

As at December 31, 2017 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
16,000	Federal Home Loan Mortgage Corp., Preferred R Series 7.625%		52,672	147,906	
16,000	Federal Home Loan Mortgage Corp., Preferred S Series 8.250%		68,306	177,084	
60,850	Federal Home Loan Mortgage Corp., Preferred Z Series 8.375%		276,057	658,167	
376,300	Globalstar Inc.		903,311	619,987	
15,434	Hornbeck Offshore Services Inc.		121,786	60,369	
175,568	Hovnanian Enterprises Inc., Class A		665,131	739,720	
18,095	Motors Liquidation Company GUC Trust		178,509	212,788	
4,125,668	Penson Technologies LLC, Class A		287,007	202,365	
327,286	RTS/Sanofi – Aventis		60,996	156,418	
910,687	Team Tankers International Ltd.		1,556,603	1,465,204	
22,507	TORM A/S, Common		382,763	244,133	
22,801	TORM A/S, Warrants		–	13,869	
4,372	Vantage Drilling International		604,728	1,044,746	
37,491	Vici Properties Inc.		805,942	966,625	
33,987	Vistra Operations Company LLC.		726,207	783,097	
Total Equities and Warrants			10,050,884	11,553,417	15.58%
Total Long positions			74,674,883	78,134,753	105.36%
SHORT POSITIONS					
BONDS					
(380,000)	Ball Corp., 4.000%	November 15, 2023	(412,966)	(491,070)	
(369,000)	CHS/Community Health System, 6.250%	March 31, 2023	(433,449)	(422,323)	
(360,000)	EnSCO PLC, 4.500%	October 1, 2024	(394,403)	(384,856)	
(2,000,000)	U.S. Treasury Notes, 2.250%	November 15, 2024	(2,326,635)	(2,502,710)	
Total Bonds			(3,567,453)	(3,800,959)	– 5.13%
CREDIT DEFAULT AND INDEX SWAPS					
1,860,000	CDX.NA.HY.28., 5.000%	June 20, 2022	(181,459)	(197,050)	
543,000	Hertz Corp., 5 Year	June 20, 2021	40,179	25,668	
883,000	Nordstrom Inc., 5 Year	June 20, 2022	127,489	93,651	
3,700,000	The Gap Inc., 5 Year	March 20, 2020	(48,513)	(78,490)	
Total Credit Default and Index Swaps			(62,304)	(156,221)	– 0.21%

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENT PORTFOLIO (continued)

As at December 31, 2017 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
FORWARD CONTRACTS					
	United States Dollars				
	Forward currency contract				
	January 31, 2018			(22,052)	
Total Forward Contracts				(22,052)	- 0.02%
Total Short positions			(3,629,757)	(3,979,232)	- 5.36%
Adjustment for transactions costs			(2,514)		
Total Investments			71,042,612	74,155,521	100.00%

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

(Stated in Canadian dollars)

1. THE FUND

OCP Credit Strategy Fund (the "Fund") is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 27, 2009 as amended and restated December 16, 2014.

The Fund is designed to provide unitholders with exposure to the performance of an actively managed, diversified portfolio (the "Portfolio") comprised primarily of senior debt obligations of non-investment grade North American issuers.

The investment objectives of the Fund are: (i) to maximize total returns for unitholders; (ii) to provide unitholders with attractive, quarterly distributions, initially 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.

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, 49th Floor, Toronto, Ontario, M5J 2S1.

The financial statements of the Fund for the year ended December 31, 2017 were authorized for issue by the Manager on March 28, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Fund have been prepared in accordance with *International Accounting Standards* as issued by the *International Accounting Standards Board* ("IASB"). 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 commitments, and significant judgements include determination of functional currency, classification of redeemable units 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 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 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.

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.

NOTES TO FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial assets and liabilities

All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. Assets are classified as loans and receivables and liabilities are classified as other financial liabilities. Included in loans and receivables are receivable for investments sold, interest and other receivables, cash on deposit with brokers as collateral, cash and cash equivalents and dividend receivable. Included in other financial liabilities are accounts payable and accrued liabilities, redemptions payable, distributions 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. The carrying value of financial assets and liabilities not measured at FVTPL approximates fair value due to their short term nature.

(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. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in the statement of comprehensive income. 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 investments" and "net change in 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.

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.

Where quoted prices are not available from independent security pricing services or broker quotes, the fair value is determined using appropriate and accepted industry valuation techniques, as described in Note 4.

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 (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 and index swaps 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 and warrants are included in the statements of comprehensive income under "Net realized gain (loss) on derivatives".

Short Sales

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 (loss) 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.

NOTES TO FINANCIAL STATEMENTS (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 of deposits in banks and prime brokerage accounts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Income and expense recognition

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Net realized gain/loss on investments and net change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Average cost does not include amortization or premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Redeemable participating units

The Fund's redeemable units 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 equity.

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)". 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.

Valuation of Fund Units

The value at which units are redeemed is the net asset value per unit. Net asset value per unit is calculated daily by dividing the net asset value by its outstanding units. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the statements of changes in equity.

Earnings (loss) Per Unit

Earnings (loss) per unit are based on the profit (loss) and total comprehensive income (loss) for the period divided by the weighted average number of units outstanding during the period.

Future Accounting Pronouncements – IFRS 9 *Financial Instruments* ("IFRS 9")

The IASB issued the final version of IFRS 9 *Financial Instruments* which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Fund is performing an assessment of all aspects of IFRS 9 and plans to adopt the new standard on the required effective date.

Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Consideration of the Funds business model and the contractual cash flows associated with the financial instrument is required under IFRS 9 to determine the classification and measurement categories.

The Fund will analyze the contractual cash flow characteristics of financial instruments in more detail before concluding whether financial instruments meet the criteria for FVTPL, FVOCI or amortized cost measurement under IFRS 9.

IFRS 9 also introduces an expected credit loss model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The impact of this will depend on the classification and measurement of the entities financial instruments.

The Fund has not applied hedge accounting under IAS 39 and will not apply hedge accounting under IFRS 9.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

3. FORWARD CONTRACTS

The Fund had entered into forward foreign currency contracts to deliver currencies at a specific future date as follows:

As at December 31, 2017:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement Date	Unrealized foreign exchange gain (loss) on contract \$
USD	(76,718,832)	CAD	96,419,000	0.7957	January 31, 2018	(22,052)

As at December 31, 2016:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement Date	Unrealized foreign exchange gain (loss) on contract \$
USD	(94,204,859)	CAD	127,106,000	0.7412	January 31, 2017	692,287

The Fund has \$311,273 (December 31, 2016 – \$nil) on deposit with the foreign currency counterparty as credit support. Interest earned on the collateral is paid to the Fund and is included as interest income in the Statements of Comprehensive Income.

The counterparty is rated BBB+ by S&P Global Ratings (December 31, 2016 – BBB+).

4. 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. These inputs may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities or other market corroborated inputs.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

As at December 31, 2017

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities and warrants	8,076,215	1,809,633	1,667,569	11,553,417
Bonds	-	25,681,374	-	25,681,374
Bank debt	-	40,886,391	13,571	40,899,962
Total	8,076,215	68,377,398	1,681,140	78,134,753

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Bonds sold short	-	3,800,959	-	3,800,959
Credit default and index swaps	-	156,221	-	156,221
Forward contracts	-	22,052	-	22,052
Total	-	3,979,232	-	3,979,232

As at December 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities and warrants	11,935,420	799,114	581,543	13,316,077
Bonds	-	50,656,849	-	50,656,849
Bank debt	-	56,900,271	179,298	57,079,569
Credit default swaps	-	75,549	-	75,549
Forward contracts	-	692,287	-	692,287
Total	11,935,420	109,124,070	760,841	121,820,331

NOTES TO FINANCIAL STATEMENTS (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Equities	204,187	–	–	204,187
Bonds sold short	–	8,945,051	–	8,945,051
Unfunded bank debt commitment	–	11,109	–	11,109
Total	204,187	8,956,160	–	9,160,347

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 year ended December 31, 2017 and December 31, 2016, 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 years ended December 31, 2017 and December 31, 2016, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

The Fund holds three illiquid positions which have been classified as Level 3. The following section discusses the significant unobservable inputs for Level 3 positions and quantitatively outlines the inputs used to calculate the fair value in accordance with IFRS 13, *Fair Value Measurement*.

For Level 3 investments where quoted prices are not available from brokers/counterparties or independent third-party pricing services, the Fund may use various valuation techniques, such as market approach, income approach, net asset value method, relative value using discounted cash flow, probability weighted recovery analysis, liquidation analysis, comparable company analysis, imputed value based on similar quoted investments, tender offer or a combination of these techniques. Inputs used may include original transaction price, market quotes of similar instruments, probability assessment of legal recovery, comparison to other public companies (peers) based on industry and size, comparable multiples of enterprise value to EBITDA, appraisal values of assets, and discounts for liquidity and other risk factors. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. The valuation techniques used in the valuation process were:

1. Probability weighted recovery analysis: The amount of legal claims, the priority of each claim, the amount of cash and other potential recoveries, the length of time until recovery, the probability of a favorable court determination and ultimate risk to recover.
2. Liquidation Analysis: The recovery amount assuming the underlying asset would be sold for its parts and scrapped in an environmentally conscious manner.
3. Comparable Company Analysis: A multiple analysis whereby appropriate multiples are applied to the portfolio investment's EBITDA to estimate the enterprise value of the Company. EBITDA multiples are typically determined based upon a review of market comparable transactions and companies if any.
4. Net Asset Value Method: An asset value appraisal approach based on the portfolio investment's balance sheet and including an applied discount. These discounts are applied in instances of liquidity restrictions, uncertainty of value provided due to unobservable inputs and lack of political and economic stability.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

During the year ended December 31, 2017, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	Equities and Warrants	Bank Debt	Total
January 1, 2017	581,543	179,298	760,841
Purchases	-	-	-
Sales/Return of Capital	(2,313,006)	(514,762)	(2,827,768)
Net transfers (out of) Level 3	-	-	-
Net transfers (in to) Level 3	3,783,695	55,712	3,839,407
Realized gains (losses)	31,777	(2,050,206)	(2,018,429)
Change in unrealized appreciation (depreciation)	(416,440)	2,343,529	1,927,089
December 31, 2017	1,667,569	13,571	1,681,140

During the year ended December 31, 2016, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	Equities and Warrants	Bank Debt	Total
January 1, 2016	530,945	1,307,687	1,838,632
Purchases	-	-	-
Sales	-	-	-
Net transfers (out of) Level 3	-	-	-
Net transfers (in to) Level 3	-	-	-
Realized gains (losses)	-	-	-
Change in unrealized appreciation (depreciation)	50,598	(1,128,389)	(1,077,791)
December 31, 2016	581,543	179,298	760,841

Transfers from Level 2 to Level 3 occur when an instrument's fair value, which was previously determined using valuation techniques with significant observable market inputs, is now determined using valuation techniques with significant non-observable inputs. In some cases, this could be a result of lack of current information in the market due to a decrease in liquidity. Due to the unobservable nature of the inputs used to value Level 3 financial instruments there may be uncertainty about the valuation of these instruments.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at December 31, 2017

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Value of Input used
Alpha Natural Resources Inc.	\$13,571	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$0.013 USD
Penson Technologies LLC, Class A	\$202,365	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	.0039 USD
Team Tankers International Limited, Common Stock	\$1,465,204	Comparable Company Analysis/ Net Asset Value Method	Comparable company trading multiples/ Appraised values of assets	6.5X – 9.1X/ Discount rate – 20%

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for significant financial assets and financial liabilities held, as at December 31, 2017 that are classified in Level 3 of the fair value hierarchy.

	Valuation Technique	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range	Upper Range
Alpha Natural Resources Inc.	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$0.01USD	\$0.016USD	\$10,439	\$16,702
Penson Technologies LLC, Class A	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$0.03USD	\$0.058USD	\$155,666	\$300,953
Team Tankers International Limited, Common stock	Comparable Company Analysis/ Net Asset Value Method	Comparable company trading multiples/ Appraised values of assets	\$9.6 NOK	\$11.5 NOK	\$1,339,615	\$1,604,747

As at December 31, 2016

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Value of Input used
OSX 2 Leasing BV, Term Loan	\$179,298	Liquidation Analysis	Liquidation value of the asset	\$4.24 USD per \$100 USD par value
Penson Technologies LLC, Class A	\$581,543	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$.105 USD

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for significant financial assets and financial liabilities held, as at December 31, 2016 that are classified in Level 3 of the fair value hierarchy.

	Valuation Technique	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range	Upper Range
Penston Technologies LLC, Class A	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$.08 USD	\$.128 USD	\$443,080	\$708,929

5. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with attractive, quarterly distributions initially targeted to be \$0.175 per unit (\$0.70 per annum to yield 7.0% on the initial subscription price of \$10.00 per unit) to unitholders of record on the last business day of each of March, June, September and December.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Income Tax Act (Canada).

6. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 1.25% based on the NAV of the Fund, calculated daily and paid monthly in arrears. During the year ended December 31, 2017, the Fund incurred management fees of \$1,341,664 (December 31, 2016 – \$1,669,060) of which \$105,113 was owing at December 31, 2017 (December 31, 2016 – \$137,594).

A dealer service fee, which is equal to 0.40% annually of the NAV of the Fund, is payable to dealers whose clients hold units of the Fund. This fee is calculated daily and paid quarterly in arrears.

In addition, the Manager is entitled to an annual performance fee (the "Performance Fee") from the Fund once a unitholder has achieved a preferred return of 8.0% (the "Preferred Return"). The Performance Fee is calculated and accrued monthly and is paid annually (except that when units are redeemed the accrued Performance Fee in respect of such units is paid at the time of such redemption). The amount of the Performance Fee shall be 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 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 (the "Excess Return"); provided that no Performance Fee will be paid unless the Return exceeds 108% of the Threshold Amount. If the Return exceeds 108% of the Threshold Amount, the Manager will be entitled to a Performance Fee equal to 15% of the Excess Return; provided that after the payment of the Performance Fee, in any fiscal year, the return to a unitholder will be at least equal to the Preferred Return. The Threshold Amount is the greater of: (i) the NAV per unit of the Fund on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (ii) 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) reduced by the amount of distributions paid in any subsequent year in which no Performance Fee has been earned. In respect of any units of the Fund which are redeemed the Threshold Rate and the Preferred Return will also be reduced proportionately to reflect the number of days remaining in the year from the date of such redemption to December 31.

During the year ended December 31, 2017, the Fund incurred Performance Fees of \$90,658 (2016 – \$nil).

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

7. 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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

7. REDEEMABLE UNITS (continued)

The Fund is authorized to issue an unlimited number of transferable and redeemable units of one class, each of which is entitled to one vote at all unitholder meetings and represents an equal, undivided interest in the net assets of the Fund.

Units may be surrendered annually for redemption during the year from the first business day in January until 5:00pm (Toronto time) on January 15 in each year (the "Notice Period") subject to the Fund's right to suspend redemptions in certain circumstances. Units surrendered for redemption during the Notice Period will be redeemed on the last business day of March of each year (the "Annual Redemption Date") for a redemption price per unit equal to the NAV per unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption.

Changes in the number of redeemable units outstanding for the years ended December 31 are summarized as follows:

	2017 #	2016 #
Redeemable units outstanding, beginning of period	17,876,056	23,851,108
Redemption of redeemable units	(3,881,968)	(5,975,052)
Redeemable units outstanding, end of period	13,994,088	17,876,056

Under a normal course issuer bid, which will expire on July 17, 2018, the Fund has the ability to repurchase units up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, units can be repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). During the periods ended December 31, 2017 and 2016, no units were purchased under this normal course issuer bid. When units are redeemed, the average cost of the units is deducted from unit capital and the difference between average cost and redemption price is taken to retained earnings.

8. 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 of the Fund 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 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.

Within the Fund's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2017 was \$5,479,053 representing 5.64% of the net assets of the Fund (December 31, 2016 – \$7,475,916 or 5.84%).

NOTES TO FINANCIAL STATEMENTS (continued)

8. MANAGEMENT OF FINANCIAL RISKS (continued)

Net exposure to debt securities by credit rating is as follows.

Credit Rating	As a % of Net Assets	
	December 31, 2017	December 31, 2016
BBB	-	(1.75)%
BB	1.71%	(0.18)%
B	34.58%	34.98%
CCC	18.44%	25.15%
CC	-	0.24%
D	-	3.48%
NR*	8.83%	14.37%

* Not rated by S&P Global Ratings.

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, accounts payable and accrued liabilities, distributions payable, payable for investments purchased and interest payable. 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 subject to the conditions outlined in Note 7. The Fund expects to have significant liquid assets to settle any redemptions.

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 are 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 investments that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund, and also holds foreign currency denominated cash and other net assets. Consequently, the Fund is exposed to currency risk as the fair value of the investments and net assets denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the years ended December 31, 2017 and December 31, 2016, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Fund's foreign denominated investments and net assets 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.

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 December 31, 2017, approximately 11.90% of the Fund's net assets are subject to other price risk (December 31, 2016 – 10.25%). Management's best estimate of the effect on total equity as at December 31, 2017, 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 \$578,000 (December 31, 2016 – \$656,000) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (continued)

8. MANAGEMENT OF FINANCIAL RISKS (continued)

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category. A summary of the Fund's concentration risk by product type as at December 31, 2017 is shown in the Fund's schedule of investment portfolio.

9. 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, which is available on SEDAR. Restrictions and specific requirements on the redemption of units are described in Note 7. The statements of changes in equity and Note 7 outline the relevant changes of the Fund's units for the periods.

The Fund's objectives in managing its capital in respect of the units are to provide unitholders with attractive, quarterly distributions initially targeted to be \$0.175 per unit (\$0.70 per annum to yield 7% per year based on the \$10.00 initial subscription price per unit), while at the same time to preserve and enhance the NAV.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 8 while maintaining sufficient liquidity to meet distributions and redemptions.

10. TAXATION

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, 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 unitholders. 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, this excess distribution is a return of capital and is not taxable to unitholders.

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.

The Fund had net capital tax loss carry forwards of \$4,783,690 as at December 31, 2017 (2016 – \$9,397,160).

11. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the years ended December 31, 2017 and 2016 is calculated as follows:

	2017	2016
Profit (loss) for the period	\$7,256,285	\$17,852,972
Weighted average units outstanding during the period	14,972,557	19,345,331
Earnings (loss) per unit	\$0.48	\$0.92

161 Bay Street, 49th Floor
Toronto Ontario M5J 2S1
(647) 260-4055 or (877) 260-4055
www.ocpcreditstrategy.com • info@ocpfunds.com
