

OCP CREDIT STRATEGY FUND

Interim Financial Statements for the period (Unaudited)
January 1, 2018 to June 30, 2018

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NOTICE TO READER:

These interim financial statements and related notes for the six-month period ended June 30, 2018 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

OCP CREDIT STRATEGY FUND

STATEMENTS OF FINANCIAL POSITION

As at (Stated in Canadian dollars)

	June 30, 2018 \$	December 31, 2017 \$
ASSETS		
Current Assets		
Investments held long	83,675,729	78,134,753
Unrealized gain on forward contracts [Note 3]	780,619	-
Cash and cash equivalents	6,938,292	26,821,319
Cash on deposit with brokers as collateral	252,926	311,273
Receivable for investments sold	715,575	279,509
Interest and other receivable	1,055,021	706,039
Dividends receivable	11,317	-
Total Assets	93,429,479	106,252,893
LIABILITIES		
Current Liabilities		
Investments sold short	2,544,753	3,800,959
Swaps, at fair value	209,246	156,221
Unfunded bank debt commitments	346	-
Unrealized loss on forward contracts [Note 3]	-	22,052
Accounts payable and accrued liabilities [Note 6]	283,994	339,729
Distributions payable [Note 5]	2,214,589	2,448,965
Payable for investments purchased	2,810,777	2,401,284
Interest payable	7,396	21,714
Total Liabilities	8,071,101	9,190,924
EQUITY		
Unit capital	62,784,761	73,107,897
Retained earnings	22,573,617	23,954,072
Total Equity	85,358,378	97,061,969
Total Liabilities and Equity	93,429,479	106,252,893
Number of Units Outstanding [Note 7]	12,654,792	13,994,088
Total Equity/Net Assets per unit	\$6.75	\$6.94

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the period ended June 30 (Stated in Canadian dollars)

	2018 \$	2017 \$
INCOME		
Investment Income		
Interest for distribution purposes	2,476,282	2,853,230
Dividends	24,914	132,190
	2,501,196	2,985,420
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Foreign currency gain (loss)	1,399,414	(305,649)
Other net changes in fair value of investments		
Net realized gain on investments	488,630	7,965,514
Net realized (loss) gain on derivatives	(40,480)	35,379
Net realized (loss) gain on forward contracts	(5,637,430)	3,104,783
Net change in unrealized appreciation (depreciation) of forward contracts	802,671	(351,134)
Net changes in unrealized appreciation (depreciation) of investments	3,612,061	(7,741,267)
Net change in unrealized appreciation (depreciation) of derivatives	109,831	(91,037)
Total income (loss)	3,235,893	5,602,009
EXPENSES		
Management fees [Note 6]	571,554	715,008
Interest expense	144,271	281,159
Dealer service fees [Note 6]	182,897	228,802
Custodian and valuation fees	101,942	109,096
Harmonized sales tax	74,165	100,099
Performance fees [Note 6]	-	90,658
Securityholder reporting costs	35,235	35,678
Other administration costs	12,543	22,314
Withholding tax on dividend income (expense)	-	19,048
Audit fees	17,440	17,356
Independent Review Committee fees	8,278	9,473
Transaction costs [Notes 6]	3,266	11,449
Legal fees	7,439	9,918
Trustee fees	5,000	4,959
Total Expense	1,164,030	1,655,017
Profit and total comprehensive income for the period	2,071,863	3,946,992
Earnings (loss) per unit [Notes 11]	\$0.16	\$0.25

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CHANGES IN EQUITY

For the period ended June 30 (Stated in Canadian dollars)

	Unit Capital \$	Retained Earnings \$	Total Equity \$
As at January 1, 2018	73,107,897	23,954,072	97,061,969
Changes in equity for 2018:			
Profit (loss) for the period	-	2,071,863	2,071,863
Redemption of units	(6,996,748)	(2,115,152)	(9,111,900)
Distributions to unitholders			
Income	-	(1,337,166)	(1,337,166)
Return of capital	(3,326,388)	-	(3,326,388)
As at June 30, 2018	62,784,761	22,573,617	85,358,378
As at January 1, 2017	102,584,992	25,325,736	127,910,728
Changes in equity for 2017:			
Profit (loss) for the period	-	3,946,992	3,946,992
Redemption of units	(22,277,378)	(5,352,461)	(27,629,839)
Distributions to unitholders			
Income	-	(1,330,403)	(1,330,403)
Return of Capital	(4,246,872)	-	(4,246,872)
As at June 30, 2017	76,060,742	22,589,864	98,650,606

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CASH FLOWS

For the period ended June 30 (Stated in Canadian dollars)

	2018 \$	2017 \$
Cash Flows from Operating Activities		
Profit for the period	2,071,863	3,946,992
Adjustments for:		
Foreign currency (gain) loss	(1,399,414)	305,649
Net realized (gain) on investments	(488,630)	(7,965,514)
Net realized loss (gain) on derivatives	40,480	(35,379)
Net realized loss (gain) on forward contracts	5,637,430	(3,104,783)
Net change in unrealized (appreciation) depreciation on investments	(3,612,061)	7,741,267
Net change in unrealized (appreciation) depreciation on forward contracts	(802,671)	351,134
Net change in unrealized (appreciation) depreciation on derivatives	(109,831)	91,037
Changes in working capital		
Decrease (increase) in cash on deposit with brokers as collateral	58,347	(160,807)
(Increase) Decrease in interest and other receivable	(360,299)	10,927
(Decrease) in interest payable	(14,318)	(36,874)
(Decrease) in accounts payable and accrued liabilities	(55,735)	(110,169)
Purchase of investments	(60,373,514)	(72,944,573)
Proceeds from sales of investments and settlement of forward contracts	52,135,742	104,051,560
Net Cash (Used by) Generated by Operating Activities	(7,272,611)	32,140,467
Cash Flows from Financing Activities		
Distributions to unitholders	(4,897,930)	(6,256,620)
Amount paid on redemption of units	(9,111,900)	(27,629,839)
Net Cash Used by Financing Activities	(14,009,830)	(33,886,459)
Foreign currency gain (loss) on cash and other assets	1,399,414	(305,649)
Net (decrease) in cash and cash equivalents	(21,282,441)	(1,745,992)
Cash and cash equivalents beginning of period	26,821,319	24,651,765
Cash and Cash Equivalents end of period	6,938,292	22,600,124
Interest received, net of withholding tax	2,452,766	3,270,044
Dividends received, net of withholding tax	13,597	81,709
Interest paid	(158,589)	(318,033)

See accompanying notes.

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO

As at June 30, 2018 (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	484,450	
1,749,000	Allegheny Ludlum Corp., 6.950%	December 15, 2025	1,964,572	2,334,079	
2,741,000	Altegrity Inc., 9.500%	July 1, 2019	2,901,508	3,766,042	
2,006,000	CITGO Holdings Inc., 10.750%	February 15, 2020	2,473,254	2,805,629	
50,000	CITGO Holdings Inc., 10.750%	February 15, 2020	69,139	69,932	
767,927	Emeco PTY Ltd., 9.250%	March 31, 2022	959,990	1,076,561	
954,000	Frontier Communications, 9.000%	August 15, 2031	898,237	821,579	
379,000	Frontier Communications Corporation, 7.625%	April 15, 2024	344,490	343,833	
171,000	Frontier Communications Corporation, 8.500%	April 1, 2026	220,470	216,962	
965,000	FTS International Inc., 6.250%	May 1, 2022	1,207,008	1,279,820	
255,811	Glitnir Holdco, Amortizing Zero Coupon, Convertible Notes	December 31, 2030	285,343	12,768	
1,287,000	Hexion Inc., 6.625%	April 15, 2020	1,482,879	1,584,527	
280,000	Hornbeck Offshore Services Inc., 5.000%	March 1, 2021	216,726	241,134	
2,236,000	Hornbeck Offshore Services Inc., 5.875%	April 1, 2020	1,731,356	2,190,220	
534,000	Intelsat Jackson Holdings, 5.500%	August 1, 2023	585,434	629,927	
455,000	Intelsat Jackson Holdings, 7.250%	October 15, 2020	534,498	595,243	
1,367,000	Intelsat Jackson Holdings, 7.500%	April 1, 2021	1,378,219	1,783,852	
723,000	Intelsat Jackson Holdings, 9.750%	July 15, 2025	954,221	1,002,883	
237,000	Kronos Acquisition Holdings, 9.000%	August 15, 2023	293,317	280,447	
2,000,000	Lehman Brothers Holding Inc., Floating Rate	Defaulted	6,665	80,203	
1,256,537	Lehman Brothers Holdings Inc., 6.200%	Defaulted	4,150	51,380	
48,790,000	Lehman Brothers Treasury Co., BV, 7.585%	Defaulted	-	261,675	
1,586,000	Lehman Brothers Treasury Co., BV, 0.000%	Defaulted	20,951	104,264	
1,552,000	Momentive Performance, 3.880%	October 24, 2021	1,521,855	2,142,598	
572,000	Momentive Performance, 4.690%	April 24, 2022	585,003	802,830	
394,000	Petsmart Inc. 5.875%	June 1, 2025	531,230	397,589	
1,613,000	Texas Competitive Electric Holdings Co., 11.500%	Defaulted	16,020	21,208	
342,000	Travelport Corporate Finance PLC, 6.000%	March 15, 2026	438,273	453,034	
43,590	TXU EFH Claim	Defaulted	23,089	6,877	
Total Bonds			22,369,823	25,841,546	31.63%
BANK DEBT					
1,725,415	Acosta, Inc. (fka Acosta Holdco, Inc.), Tranche B-1 Loan	September 26, 2021	1,999,856	1,726,547	
830,000	Alpha Natural Resources, Inc.	Defaulted	-	14,187	
169,575	AVSC Holding Corp., Initial Term Loan (First Lien)	March 3, 2025	217,692	220,449	
1,336,209	Azure Midstream Energy LLC, Term Loan	November 15, 2018	1,612,384	1,712,927	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO (continued)

As at June 30, 2018 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
491,050	Bioplan USA, Inc. (Tripolis US LLC), Initial Term Loan (First Lien)	September 23, 2021	498,885	618,193	
1,891,806	CCS Intermediate Holdings, LLC, Initial Term Loan (First Lien)	July 23, 2021	2,237,815	2,412,726	
239,977	Ceva Group PLC (fka Louis No.1 PLC/TNT Logistics), Pre-Funded L/C Loan	March 19, 2021	266,756	314,339	
97,739	Ceva Intercompany BV, Dutch BV Term Loan	March 19, 2021	108,645	128,025	
49,952	Ceva Logistics Canada, ULC (formerly as TNT Canada ULC), Canadian Term Loan	March 19, 2021	55,526	65,430	
399,614	Ceva Logistics U.S. Holdings Inc. (fka Louis U.S. Holdco, Inc.), US Term Loan	March 19, 2021	444,207	523,442	
970,175	Commercial Barge Line Company, Initial Term Loan	November 12, 2020	1,208,225	880,331	
169,571	Consolidated Communications, Inc., Initial Term Loan	October 5, 2023	219,945	219,830	
255,000	Covia Holdings Corporation (fka Unimin Corporation), Initial Term Loan	June 1, 2025	326,285	335,106	
421,715	Crosby US Acquisition Corp., Initial Term Loan (First Lien)	November 23, 2020	451,347	544,248	
2,501,421	Cumulus Media New Holdings Inc., Term Loan	May 13, 2022	3,195,143	3,264,202	
2,646,297	Del Monte Foods, Inc., Initial Loan (First Lien)	February 18, 2021	2,833,659	2,905,259	
554,000	EXC Holdings III Corp. (aka Excelitas Technologies Corp.), Initial Term Loan (Second Lien)	December 1, 2025	700,082	742,967	
634,826	FTS International, Inc. (fka Frac Tech International, LLC), Initial Term Loan	April 16, 2021	781,999	838,147	
263,000	Fusion Connect, Inc., Tranche B Term Loan (First Lien)	May 4, 2023	324,475	331,961	
147,826	Heartland Dental, LLC, Initial Term Loan	April 30, 2025	190,483	193,268	
5,082,969	HGIM Corp., Term B Loan	Defaulted	3,395,918	2,840,312	
304,500	HLF Financing S.a r.l. (HLF Financing US, LLC), Senior Lien Term Loan	February 15, 2023	390,216	403,693	
658,000	Laird PLC, Term Loan	May 2, 2025	847,858	860,813	
10,100,000	Lehman Brothers Specialty Finance Claim	Defaulted	-	398,384	
101,000	Liberty Cablevision of Puerto Rico LLC (fka San Juan Cable, LLC), Initial Loan (Second Lien)	July 7, 2023	118,039	119,515	
351,000	Liberty Cablevision of Puerto Rico LLC (fka San Juan Cable, LLC), Term B Loan (First Lien)	January 7, 2022	447,776	445,342	
146,174	Mavis Tire Express Services Corp., Closing Date Term Loan (First Lien)	March 20, 2025	186,949	190,988	
1,293	Mavis Tire Express Services Corp., Delayed Draw Term Loan (First Lien)	March 20, 2025	1,650	1,685	
169,573	McAfee, LLC, Closing Date USD Term Loan	September 30, 2024	223,259	223,883	
169,571	Oberthur Technologies Holding S.A.S. (fka OT Frenchco 1 SAS), Facility B1 (USD)	January 10, 2024	220,773	221,558	
481,363	Ocean Bidco, Inc., Initial Dollar Term Loan	March 21, 2025	617,350	635,796	

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SCHEDULE OF INVESTMENTS PORTFOLIO (continued)

As at June 30, 2018 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
525,000	OEP Trafo HoldCo GmbH, Facility B	July 18, 2024	725,643	713,146	
169,575	Pro Mach Group, Inc., Initial Term Loan (First Lien)	March 7, 2025	217,149	220,115	
555,935	Promotora De Informaciones S.A, PPL Facility Tranche 3	December 12, 2019	582,374	805,398	
2,255,205	Promotora De Informaciones S.A, Tranche 2	December 12, 2018	2,743,589	3,356,647	
1,182,810	Promotora De Informaciones S.A, Tranche 3	December 12, 2019	1,319,176	1,712,053	
1,279,793	Prospect Medical Holdings, Inc., Term B-1 Loan	February 22, 2024	1,596,544	1,682,671	
1,294,539	PRWireless PR, LLC (fka PRWireless, Inc.), Term Loan	June 29, 2020	1,642,202	1,702,060	
919,380	Research Now Group, Inc., Initial Term Loan (First Lien)	December 20, 2024	1,123,556	1,189,158	
1,249,462	Revlon Consumer Products Corporation, Initial Term B Loan	September 7, 2023	1,308,684	1,273,164	
958,979	Seadrill Operating LP (Seadrill Partners Finco LLC), Initial Term Loan	February 21, 2021	1,052,989	1,127,687	
117,704	Securus Technologies Holdings, Inc, Initial Term Loan (First Lien)	November 1, 2024	150,291	155,660	
814,000	Sequa Mezzanine Holdings L.L.C., Initial Loan (Second Lien)	April 28, 2022	1,108,354	1,086,301	
715,770	Sequa Mezzanine Holdings L.L.C., Initial Term Loan (First Lien)	November 28, 2021	921,017	941,094	
259,145	Stena International S.A., Term Loan	March 3, 2021	338,061	332,844	
1,539,000	STG-Fairway Acquisitions, Inc., Term Loan (First Lien)	June 30, 2022	1,893,356	2,018,419	
225,700	Strike, LLC, Term Loan	November 30, 2022	293,649	300,460	
31,077	TXU EFH CLAIM EXT LC	Defaulted	16,461	4,903	
63,204	TXU EFH CLAIM EXT RC	Defaulted	33,478	9,972	
42,130	TXU EFH CLAIM EXT Term Loan	Defaulted	22,315	6,647	
1,202,545	Veritas US Inc., New Dollar Term B Loan	January 27, 2023	1,520,298	1,444,077	
175,000	Vertiv Group Corporation (fka Cortes NP Acquisition Corporation), Term B Loan	November 30, 2023	225,229	226,926	
1,638,486	YRC Worldwide Inc., Tranche B-1 Term Loan	July 26, 2022	1,972,396	2,170,438	
Total Bank Debt			44,930,008	46,813,393	57.30%
EQUITIES AND WARRANTS					
17,339	AIP/MPM Holdings Inc.		169,860	769,409	
20,057	Air Canada		227,045	426,211	
3,782	Alpha Natural Resources Holdings		50,037	144,205	
14,230	Alpha Natural Resources Inc.		196,274	516,385	
2,893	Aptiv PLC		197,591	348,535	
35,955	Avaya Holdings Corp.		695,686	949,255	
106,953	Bluestem Group Inc.		512,451	77,342	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO (continued)

As at June 30, 2018 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
15,380	Caesars Entertainment Corp.		237,714	216,371	
5,900	Ceva SE Equity		334,580	180,968	
11,650	Cumulus Media Holdings Inc. Class A		173,297	241,249	
10,462	Cumulus Media Holdings Inc. Class B		155,625	202,893	
10,022	Cumulus Media Warrants		149,080	194,360	
5,867	C&J Energy Services Inc.		238,231	182,049	
1,068	Eagle Bulk Shipping Inc., Warrants, October 15, 2021		–	112	
16,000	Federal Home Loan Mortgage Corp., Preferred R Series 7.625%		52,672	122,013	
16,000	Federal Home Loan Mortgage Corp., Preferred S Series 8.250%		68,306	132,953	
60,850	Federal Home Loan Mortgage Corp., Preferred Z Series 8.375%		276,057	500,035	
411,400	Globalstar Inc.		929,464	264,991	
138,868	Hovnanian Enterprises Inc., Class A		526,095	297,611	
23	Ingevity Corporation		2,537	2,445	
18,095	Motors Liquidation Company GUC Trust		178,509	235,684	
4,125,668	Penson Technologies LLC, Class A		19,479	–	
327,286	RTS/Sanofi – Aventis		60,996	215,158	
910,687	Team Tankers International Ltd.		1,556,603	1,146,619	
22,801	TORM A/S, Warrants		–	235	
5,202	Vantage Drilling International		837,360	1,696,218	
32,791	Vici Properties Inc.		704,906	889,865	
33,987	Vistra Operations Company LLC.		726,207	1,057,273	
138	Westrock Company		10,546	10,346	
Total Equities and Warrants			9,287,208	11,020,790	13.49%
FORWARD CONTRACTS					
United States Dollars					
Forward currency contract					
July 31, 2018				780,619	
Total Forward Contracts				780,619	0.95%
Total Long positions			76,587,039	84,456,348	103.37%
UNFUNDED BANK DEBT COMMITMENT					
22,174	Heartland Dental, LLC, Delayed Draw Term Loan	April 30, 2025	142	(164)	
22,166	Mavis Tire Express Services Corp., Delayed Draw Term Loan (First Lien)	March 20, 2025	(71)	(182)	
Total Unfunded Bank Debt Commitment			71	(346)	0.00%

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO (continued)

As at June 30, 2018 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
SHORT POSITIONS					
BONDS					
(2,000,000)	U.S. Treasury Notes, 2.250%	November 15, 2024	(2,326,635)	(2,544,753)	
Total Bonds			(2,326,635)	(2,544,753)	-3.11%
CREDIT DEFAULT AND INDEX SWAPS					
1,860,000	CDX.NA.HY.30., 5.000%	June 20, 2023	(145,008)	(143,902)	
3,700,000	The Gap Inc., 5 Year	March 20, 2020	(48,513)	(65,344)	
Total Credit Default Swaps			(193,521)	(209,246)	-0.26%
Total Short positions			(2,520,085)	(2,754,345)	-3.37%
Adjustment for transactions costs			(2,421)		
Total Investments			74,064,533	81,702,003	100.00%

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2018

(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 six-month period ended June 30, 2018 were authorized for issue by the Manager on August 27, 2018.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") applicable to the preparation of interim financial statements including IAS 34, *Interim Financial Statements*, as issued by *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.

Changes in Accounting Policies

Effective January 1, 2018, the Fund adopted IFRS 9, *Financial Instruments* ("IFRS 9"). IFRS 9 replaces International Accounting Standard 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") and gives rise to new requirements for the classification and measurement of financial assets and liabilities and the impairment of financial assets, as well as requirements for hedge accounting. The new standard requires assets to be classified based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets and measured at amortized cost, fair value, with changes in fair value recognized in profit and loss ("FVTPL") or fair value, with changes in fair value recognized through other comprehensive income ("FVOCI").

The Fund's portfolio of financial assets and liabilities is managed and its performance is evaluated on a fair value basis. This business model is aligned with a FVTPL classification and measurement category under IFRS 9. Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously classified as FVTPL under IAS 39 continued to be categorized as FVTPL. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

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

Effective January 1, 2018, the Fund adopted IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 introduces a single, comprehensive revenue recognition model for all contracts with customers other than those that are within the scope of other standards, such as financial instruments and leases. The core principle of this standard is that revenue recognition should depict the transfer of control over a good or a service in an amount that reflects the consideration received or expected to be received in exchange for such good or service. Given that financial instruments and other contractual rights or obligations are within the scope of IFRS 9 and fall outside of the scope of IFRS 15, there is no impact on the Fund's financial statements arising on the adoption of this standard.

The significant accounting policies set out below arise from the adoption of these new standards and amendments and are applicable retrospectively as of January 1, 2018 without restatement of comparative periods. Consequently, the information presented for fiscal year 2017 is in accordance with the accounting policies described in the Annual Financial Statements for the year ended December 31, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Fund classifies financial assets and financial liabilities in accordance with IFRS 9.

Financial instruments classified as FVTPL

All investments held by the Fund, including derivatives, long and short positions of equities, bonds and other interest-bearing investments are classified as FVTPL. Regular purchases and sales of financial assets and liabilities are recognized at their trade date.

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. Fair value is the price that would be received to sell an asset or paid to transfer a 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.

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.

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".

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is an unconditional legal 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. Income and expenses are presented on a net basis only when permitted under IFRS, for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (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 June 30, 2018:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement Date	Unrealized gain (loss) on contract \$
USD	(62,777,710)	CAD	83,273,000	0.7539	July 31, 2018	780,619

As at December 31, 2017:

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

The counterparty is Goldman Sachs Group Inc., which is rated BBB+ by S&P Global Ratings (December 31, 2017 – 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.

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

As at June 30, 2018

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities and warrants	7,539,216	2,334,955	1,146,619	11,020,790
Bonds	–	25,841,546	–	25,841,546
Bank debt	–	46,799,206	14,187	46,813,393
Forward contracts	–	780,619	–	780,619
Total	7,539,216	75,756,326	1,160,806	84,456,348

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Bonds sold short	-	2,544,753	-	2,544,753
Credit default and index swaps	-	209,246	-	209,246
Unfunded bank debt commitment	-	346	-	346
Total	-	2,754,345	-	2,754,345

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

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 periods June 30, 2018 and December 31, 2017, 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 periods ended June 30, 2018 and December 31, 2017, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

The Fund holds two 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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

During the period ended June 30, 2018, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	Equities and Warrants	Bank Debt	Total
January 1, 2018	1,667,569	13,571	1,681,140
Purchases	-	-	-
Sales/Return of Capital	(267,528)	-	(267,528)
Net transfers (out of) Level 3	-	-	-
Net transfers (in to) Level 3	-	-	-
Realized gains (losses)	-	-	-
Change in unrealized appreciation (depreciation)	(253,422)	616	(252,806)
June 30, 2018	1,146,619	14,187	1,160,806

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

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

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

As at June 30, 2018

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Value of Input used
Alpha Natural Resources Inc.	\$14,187	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$0.013 USD
Team Tankers International Limited, Common Stock	\$1,146,619	Comparable Company Analysis/ Net Asset Value Method	Comparable company trading multiples/ Appraised values of assets	5.1X – 7.9X/ 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 June 30, 2018 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	\$0.012USD	\$0.014USD	\$13,095	\$15,278
Team Tankers International Limited, Common stock	Comparable Company Analysis/ Net Asset Value Method	Comparable company trading multiples/ Appraised values of assets	\$6.8 NOK	\$8.1 NOK	\$999,616	\$1,190,719

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	\$0.039 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%

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (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, 2017 that are classified in Level 3 of the fair value hierarchy.

	Valuation Technique	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range	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

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 period ended June 30, 2018, the Fund incurred management fees of \$571,554 (June 30, 2017 – \$715,008) of which \$89,844 was owing at June 30, 2018 (June 30, 2017 – \$103,671).

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 period ended June 30, 2018, the Fund had no performance fees (2017 – \$90,658).

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

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

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.

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 periods ended June 30 are summarized as follows:

	2018 #	2017 #
Redeemable units outstanding, beginning of period	13,994,088	17,876,056
Redemption of redeemable units	(1,339,296)	(3,881,968)
Redeemable units outstanding, end of period	12,654,792	13,994,088

Under a normal course issuer bid, which expired 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 June 30, 2018 and 2017, 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 June 30, 2018 was \$5,874,098 representing 6.88% of the net assets of the Fund (December 31, 2017 – \$5,479,053 or 5.64%).

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (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	
	June 30, 2018	December 31, 2017
BB	2.72	1.71
B	42.88	34.58
CCC	23.76	18.44
NR*	11.68	8.83

* 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 periods ended June 30, 2018 and December 31, 2017, 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 through forward contracts (see Note 4).

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 June 30, 2018, approximately 12.91% of the Fund's net assets are subject to other price risk (December 31, 2017 – 11.90%). Management's best estimate of the effect on total equity as at June 30, 2018, 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 \$551,000 (December 31, 2017 – \$578,000) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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 June 30, 2018 is shown in the Fund's schedule of investment portfolio.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

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.

11. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the periods ended June 30, 2018 and 2017 is calculated as follows:

	2018	2017
Profit (loss) for the period	\$2,071,863	\$3,946,992
Weighted average units outstanding during the period	13,298,542	15,967,243
Earnings (loss) per unit	\$0.16	\$0.25