

# OCP CREDIT STRATEGY FUND

Monthly Update as at June 30, 2010



## Investment Rationale and Objectives

OCP Credit Strategy Fund provides Unitholders with exposure to the performance of an actively managed, diversified portfolio comprised primarily of senior debt obligations of non-investment grade North American issuers.

The Fund's objectives are: (i) to maximize total returns for Unitholders, on a tax-advantaged basis; (ii) to provide Unitholders with attractive, quarterly, tax-advantaged distributions, 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.

## Details

Date of Inception:	November 20, 2009
Issue Price:	\$10.00
Opening NAV (November 20, 2009):	\$9.44
Ticker Symbol:	OCS.UN (TSX)
Total Net Assets:	\$191,432,179
NAV per Unit:	\$9.21
Market Price:	\$9.82
Latest Distribution: June 30, 2010	\$0.175
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$0.4286

## Commentary

Performance for the Fund was essentially flat in June, despite a general negative tone in the equity and credit markets during the period. The CSFB High Yield Index was up 1.16% in the month, rebounding from a very weak May when it was down over 3%. In June, the CSFB Leveraged Loan Index was down 0.24% and the S&P 500 was down 5.24%. Within the CSFB indices, there was a distinct difference in performance as the distressed sectors of the CS HY and Leveraged Loan indices were down 1.95% and 0.93%, respectively. During the month, news flow continued to focus on weak economic data, the issues facing the global credit markets and the future direction of the economy. As we have discussed in previous letters, we believe that this uncertainty creates opportunity for the Fund. Over the course of the month we selectively grew the Portfolio's net exposure as we added a few new positions.

In June, one of the Portfolio's positions, Chemtura Senior Debt performed well as the company made substantial progress towards completing its bankruptcy re-organization. This investment had many of the characteristics of positions we like to find for the Portfolio, as described below.

### Highlight

**Chemtura Corporation Revolving Credit Facility and 2026 Senior Notes** - Chemtura is a global specialty chemical manufacturer that filed for bankruptcy protection in March 2009 due to pending bond maturities, reduced product demand, and limited liquidity. The situation appealed to us because we believed the company's core business was fundamentally attractive, and suspected that its relatively complex capital structure could lead to inefficiencies in the price of the company's senior debt. We initially purchased the company's revolving credit facility in our Debt Opportunity Strategy immediately following the bankruptcy when existing banks were selling the debt at a significant discount given uncertainties surrounding the restructuring. Once we began to see the business stabilize, we continued to build that position and started buying the company's Senior Notes. In building the position, we were comfortable that our downside was protected by the structural seniority of the company's revolving credit facility and the protective covenants in the indenture for its Senior Notes. After launching the Fund, we purchased several of the company's debt securities for the Portfolio.

As expected, the company's performance through 2010 has improved as the recession has abated. The company recently filed a Plan of Reorganization and Disclosure Statement that outlined the company's plan to emerge from bankruptcy. The plan provides for full recovery to holders of the revolving credit facility and the Senior Notes through distributions of cash and stock in the reorganized company.

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# ONEX

CREDIT PARTNERS

## Five Strongest and Weakest Performers

<u>Strongest</u>	<u>Weakest</u>
Chemtura Senior Note & Credit Facility	Hovnanian Senior Notes
Tribune Credit Facility	Thomson Credit Facility
Chrysler Senior Term Loan	General Motors Preferred Stock
Spanish Government Bonds	Smurfit Stone Container Senior Notes & Common Stock
Lyondell Senior Note, Common Stock, & Roll-Up Term Loans	Lehman Senior Notes

The chart shows the top five strongest and weakest holdings contributing to the Fund's performance for the month. These holdings do not represent all of the assets held, purchased or sold during the month.

## Industry Exposure

	Long	Short	Net
Finance	15.84%	0.00%	15.84%
Chemicals	10.73%	0.00%	10.73%
Transportation	10.13%	0.00%	10.13%
Gaming/Leisure	9.62%	0.00%	9.62%
Forest Prod/Containers	8.41%	0.00%	8.41%
Housing/Building Products	5.43%	-1.24%	4.19%
Media	5.07%	0.00%	5.07%
Food	3.61%	0.00%	3.61%
Telecom	2.77%	-0.66%	2.11%
Cable/Wireless Video	2.58%	0.00%	2.58%
Real Estate	2.44%	-1.30%	1.15%
Energy Service	1.88%	-1.32%	0.56%
Other	1.35%	-4.22%	-2.87%
Business Services	1.21%	-0.54%	0.67%
Service	0.00%	-0.49%	-0.49%
Index	0.00%	-2.82%	-2.82%
Adjusted Exposure**	81.07%	-12.59%	68.48%

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	41.31%	0.00%	41.31%
Corporate Bonds	32.13%	-5.54%	26.59%
Government Bonds (EUR)	0.00%	-4.22%	-4.22%
Equity	7.63%	-0.43%	7.20%
Other	0.00%	0.00%	0.00%
Notional value of CDS	0.00%	-2.39%	-2.39%
Adjusted Exposure**	81.07%	-12.59%	68.48%
Cash	18.93%	0.00%	18.93%
Total Exposure	100.00%	-12.59%	87.41%

\*\*\* The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust.

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

All amounts in Canadian dollars unless otherwise stated. Certain statements constitute forward-looking statements, including, but not limited to, those identified by the expressions "expect", "intend", "will" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts but reflect Onex Credit Partners, LLC's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Although Onex Credit Partners, LLC believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Onex Credit Partners, LLC undertakes no obligation to update publicly or otherwise revise any forward-looking statement or information whether as a result of new information, future events or other such factors which affect this information, except as required by law. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the Fund's continuous disclosure documents (found on SEDAR) before investing. The Fund is not guaranteed, its value changes frequently and past performance may not be repeated.

The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust. Through a forward agreement, the return of the Fund is dependent on the return of the Portfolio. Performance figures for the Fund are based on Canadian generally accepted accounting principles and were based on audited financial statements through December 31, 2009 and unaudited monthly estimates thereafter. Performance figures for the Fund include distributions paid during the relevant period and are calculated net of expenses and fees. Returns for the Fund may diverge from the returns for the Portfolio for several reasons including the incurrence of expenses and payment of distributions by the Fund.