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# **OCP Credit Strategy Fund**

Annual Financial Statements  
For the period from November 20, 2009 to December 31, 2009

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## 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 Canadian generally accepted accounting principles using information available to January 28, 2010 and management’s best estimates and judgments.

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 judgments 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 Collins Barrow Toronto LLP, 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  
JANUARY 28, 2010.



Michael Gelblat  
MANAGING MEMBER  
ONEX CREDIT PARTNERS, LLC,  
THE MANAGER OF THE FUND  
JANUARY 28, 2010.

## AUDITORS' REPORT

To the Unitholders of **OCP Credit Strategy Fund**,

**W**e have audited the statement of net assets and schedule of forward agreement of OCP Credit Strategy Fund (the "**Fund**") as at December 31, 2009, and the statements of operations and changes in net assets for the period from November 20, 2009 to December 31, 2009. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets and schedule of forward agreement of the Fund as at December 31, 2009 and the results of its operations and changes in its net assets for the period from November 20, 2009 to December 31, 2009 in accordance with Canadian generally accepted accounting principles.

*Collins Barrow Toronto LLP*

CHARTERED ACCOUNTANTS  
LICENSED PUBLIC ACCOUNTANTS  
TORONTO, CANADA,  
JANUARY 28, 2010.

**OCP CREDIT STRATEGY FUND**  
**STATEMENT OF NET ASSETS**

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As at December 31,	2009 \$
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<b>Assets</b>	
Forward agreement <i>[Note 7]</i>	195,830,473
Cash	2,043,150
	<hr/>
	197,873,623
	<hr/>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	385,023
<b>Net assets</b>	<hr/>
	197,488,600
<b>Number of units outstanding</b> <i>[Note 8]</i>	<hr/>
	20,780,000
<b>Net assets per unit</b>	<hr/>
	\$ 9.50

*See accompanying notes*

OCP CREDIT STRATEGY FUND  
**STATEMENT OF OPERATIONS**

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For the period from November 20, 2009 to December 31, 2009

2009  
\$

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**Investment Income**

Interest 1,424

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**Expenses**

Dealer service fee [Note 6] 89,979

Management fees [Note 6] 70,296

Other operating expenses 56,634

Forward agreement fee [Note 7] 55,715

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272,624

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**Net investment loss** (271,200)

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**Realized and unrealized gain (loss) on forward agreement**

Net realized foreign exchange loss (673)

Change in unrealized gain on forward agreement 1,639,973

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**Net gain on forward agreement** 1,639,300

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**Increase in net assets from operations** 1,368,100

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**Increase in net assets from operations per unit** \$ 0.07

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See accompanying notes

OCP CREDIT STRATEGY FUND  
**STATEMENT OF CHANGES IN NET ASSETS**

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For the period from November 20, 2009 to December 31, 2009	2009 \$
<b>Increase in net assets from operations</b>	<b>1,368,100</b>
<b>Capital unit transactions</b> <i>[Note 8]</i>	
Subscriptions received	207,800,000
Agents' fees and expenses of issue	(11,679,500)
	<b>196,120,500</b>
<b>Increase in net assets for the period</b>	<b>197,488,600</b>
Net assets, beginning of period	–
<b>Net assets, end of period</b>	<b>197,488,600</b>

*See accompanying notes*

**OCP CREDIT STRATEGY FUND**  
**SCHEDULE OF FORWARD AGREEMENT**

As at December 31, 2009

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$
<b>Investments held by OCP Investment Trust</b>				
<b>BONDS</b>				
5,590,000	Abitibi-Consolidated of Canada, 13.75%	Defaulted	4,150,786	4,260,763
424,973	CIT Group Inc., 7.00%	May 1, 2013	422,014	414,682
637,474	CIT Group Inc., 7.00%	May 1, 2014	622,775	619,537
637,474	CIT Group Inc., 7.00%	May 1, 2015	602,130	597,023
1,062,472	CIT Group Inc., 7.00%	May 1, 2016	969,156	978,375
1,487,471	CIT Group Inc., 7.00%	May 1, 2017	1,340,767	1,350,280
50,000	GMAC Inc., 6.20%	November 15, 2013	45,004	41,488
100,000	GMAC Inc., 6.38%	August 1, 2013	88,860	85,659
46,000	GMAC Inc., 7.00%	November 15, 2012	43,313	40,805
70,000	GMAC Inc., 7.00%	January 15, 2013	66,735	63,332
150,000	GMAC Inc., 7.10%,	January 15, 2013	141,558	136,096
100,000	GMAC Inc., 7.13%	August 15, 2012	97,055	90,795
135,000	GMAC Inc., 7.25%	August 15, 2012	131,025	123,340
1,000,000	GMAC Inc., 7.50%	August 15, 2017	854,728	815,286
194,000	GMAC Inc., 7.75%	October 15, 2017	163,666	152,784
175,000	GMAC Inc., 7.88%	November 15, 2012	164,353	160,254
90,000	GMAC Inc., 8.00%	October 15, 2017	75,689	72,036
3,996,350	K Hovnanian Enterprises, 7.50%	May 15, 2016	3,079,405	2,990,028
4,000,000	Lehman Brothers Holdings, 6.88%	Defaulted	859,289	868,528
1,250,000	Visteon Corporation, 8.25%	Defaulted	282,986	343,356
6,000,000	Washington Mutual Bank, Floating Rate	Defaulted	2,372,767	2,370,139
2,000,000	Witco Corporation, 6.88%	Defaulted	1,652,771	1,632,414
<b>Total Bonds</b>			<b>18,226,832</b>	<b>18,207,000</b>

**BANK DEBT**

3,075,000	American General Financial Corporation Multi-Year RC	July 14, 2010	3,021,242	2,928,142
1,200,000	CCS Inc. Term Loan	November 14, 2014	1,056,892	1,037,525
2,000,000	Chemtura Corporation Pre-Petition RC	Defaulted	2,082,374	2,061,446
2,500,000	Chrysler Financial Services 1st Lien Term Loan	August 3, 2012	2,591,989	2,546,286
1,500,000	Chrysler Financial Services 2nd Lien Term Loan	August 3, 2013	1,505,105	1,464,986
1,700,000	CIT Group Inc., Revolving Credit	Defaulted	1,260,107	1,404,887
4,000,000	CIT Group Inc., Term Loan	January 20, 2012	4,430,111	4,334,791
2,000,000	Federal Mogul Corporation Term Loan	December 27, 2014	1,671,409	1,752,752

**OCP CREDIT STRATEGY FUND**  
**SCHEDULE OF FORWARD AGREEMENT continued**

As at December 31, 2009

Number of Shares or Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$
2,000,000	Ford Motor Company Term Loan - B2	December 15, 2013	1,814,392	1,852,162
2,500,000	Ford Motor Company Term Loan B	December 15, 2013	2,301,678	2,413,304
2,000,000	General Growth Properties Term Loan	Defaulted	1,925,411	1,993,428
4,495,324	Harrah's Term Loan - B3	January 28, 2015	3,733,152	3,785,872
1,500,000	Harrah's Term Loan - B4	October 15, 2016	1,514,021	1,558,348
3,000,000	Las Vegas Sands Strip Term Loan	May 23, 2014	2,689,122	2,740,685
2,515,560	Las Vegas Sands/Venetian Macau Term Loan	May 23, 2013	2,497,423	2,486,236
2,500,000	Level 3 Financing Inc. Term Loan	March 13, 2014	2,233,451	2,371,884
5,719,000	Lyondell Chemical Company Roll-Up Term Loan	June 3, 2010	6,175,262	6,178,965
2,250,000	Realogy Corporation Strip Term Loan	October 10, 2013	2,070,749	2,087,607
2,500,000	Tribune Company Term Loan B	Defaulted	1,404,272	1,510,768
3,440,000	Visteon Corporation Term Loan	Defaulted	3,866,189	3,959,650
1,500,000	W.R. Grace Strip, 5-year RC and 364 Day RC	Defaulted	2,681,094	2,654,635
<b>Total Bank Debt</b>			<b>52,525,445</b>	<b>53,124,359</b>
<b>COMMON SHARES</b>				
36,580	CIT Group Inc.		1,066,125	1,056,856
286,000	Smurfit-Stone Container Corporation		62,953	82,301
<b>Total Common Shares</b>			<b>1,129,078</b>	<b>1,139,157</b>
Adjustment for transaction costs			(2,044)	–
<b>Total Investments</b>			<b>71,879,311</b>	<b>72,470,516</b>
<b>Other Net Assets held by OCP Investment Trust</b>				<b>123,359,957</b>
<b>Forward Agreement</b>				<b>195,830,473</b>

See accompanying notes



# OCP CREDIT STRATEGY FUND

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2009

### 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. On November 20, 2009 the Fund completed an initial public offering of 20,000,000 units at \$10 per unit. On December 3, 2009, an over-allotment option granted to agents was exercised for 780,000 units at \$10 per unit. Agents’ fees and expenses of issue relating to the initial public offering of units totaled \$11,679,500.

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.

In order to meet its investment objective, the Fund used the net proceeds of the offering to pre-pay its obligation to purchase a portfolio of Canadian Securities ( the “**Canadian Securities Portfolio**”) under a forward purchase and sale agreement (the “**Forward Agreement**”) which the Fund entered into with The Bank of Nova Scotia (the “**Counterparty**”). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 20, 2014 (being the scheduled Forward Termination Date) the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of a corresponding number of units of OCP Investment Trust (the “**Trust**”), which holds the Portfolio securities, net of any amount owing by the Fund to the Counterparty. As such, the return of the Fund will, by virtue of the Forward Agreement, be based on the return of the Trust, which, in turn, will be based on the performance of the Portfolio.

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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“**GAAP**”). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting year. Significant estimates include the valuation of the forward agreement. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

#### **Forward Agreement**

The Forward Agreement is valued at an amount that would be realized if the position was to be closed out in accordance with its terms, in which case fair value shall be based on the current fair value of OCP Investment Trust. The Forward Agreement is categorized as held for trading and changes in fair value are reflected in the Fund’s Statement of Operations under “Change in unrealized gain on forward agreement”. Trade date accounting is used.

#### **Income and expense recognition**

The accrual method of recording income and expenses is followed.

#### **Increase in net assets from operations per unit**

The increase in net assets from operations per unit in the Statement of Operations represents the increase in net assets from operations during the period, divided by the weighted average number of units outstanding during the period.

#### **Valuation of fund units for transaction purposes**

Net asset value per unit for redemptions and subscriptions is calculated at the end of Thursday of each week, on the annual redemption date and on such other dates as the Manager deems appropriate, by dividing the net asset value by the outstanding units.

Net assets per unit for financial reporting purposes are determined in the same manner as above, except for investments which are accounted for in accordance with CICA Handbook Section 3855.

**OCP CREDIT STRATEGY FUND**  
**NOTES TO FINANCIAL STATEMENTS *continued***

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Given that the Fund does not invest directly in any investment securities, there is no difference between the Fund's net asset value and the Fund's net assets.

**Income taxes**

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized taxable capital gains are distributed to the unitholders.

**Distribution to unitholders**

Distributions are recorded by the Fund on the business day immediately following record date.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments of the Fund include cash and accounts payable and accrued liabilities. There are no significant differences between the carrying values of these financial instruments and their fair value. The Forward Agreement is carried at its fair values as described in Note 2 above. Financial instruments recorded at fair value, are categorized between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3). The Forward Agreement is considered Level 2.

**4. 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 OCP Investment Trust 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 regulators.

As the Fund obtains exposure to the Portfolio held in OCP Investment Trust through the Forward Agreement, the following incorporates disclosure in regards to the risks and risk management applicable to the Fund.

**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.

In entering into the Forward Agreement, which is the most significant asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. As at December 31, 2009, the credit exposure is \$195,830,473 and is represented by the fair value of OCP Investment Trust. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. This risk is managed by dealing with a counterparty that the Manager believes to be creditworthy and through regular monitoring of credit exposures. As at December 31, 2009, the Counterparty has a current credit rating of AA- by Standard & Poor's Rating Services ("**S&P**").

The Fund is also exposed to credit risk of the debt securities it has exposure to via the Forward Agreement. The Trust 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 Trust's Schedule of Forward Agreement discloses the securities which 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 Trust's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2009 was \$9,699,574 representing 4.95% of the net assets of the Trust.

## OCP CREDIT STRATEGY FUND

### NOTES TO FINANCIAL STATEMENTS *continued*

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As at December 31, 2009, indirect exposure to debt securities by credit rating is as follows:

Credit Rating	As a % of net assets of the Trust
BB-	3.16
B+	2.11
B	0.91
B-	8.11
CCC-	3.89
C	2.24
Not Rated*	16.01

\*Not rated by Standard & Poor's Rating Service or Moody's Investment Services.

All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

#### **Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

Under the terms of the Forward Agreement, it may be partially pre-settled at any time. If the Trust is unable to dispose of some or all of the Portfolio upon receipt of a redemption request, the Fund may experience a delay in the receipt of cash on the sale of Canadian Securities Portfolio to be delivered by the Counterparty under the Forward Agreement until such time as the Trust is able to dispose of such securities.

As at December 31, 2009, approximately 63.06% of the Trust's net assets are held in cash (net of amounts receivable for investments sold and payable for investments purchased) and as a result, the Trust's liquidity risk is considered minimal.

#### **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 will not have a significant impact on their fair values.

#### **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 is exposed to the performance of OCP Investment Trust which invests its assets in securities that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. Consequently, the Fund is exposed to currency risk as the fair value of the Portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the period ended December 31, 2009, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Trust's foreign investments are naturally hedged by corresponding foreign currency obligations to various brokers and a financial institution.

#### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of financial instruments 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

## OCP CREDIT STRATEGY FUND

# NOTES TO FINANCIAL STATEMENTS *continued*

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factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to the performance of the OCP Investment Trust, which does not invest substantially in equity securities and as a result, the Fund does not have a significant exposure to other price risk as of December 31, 2009.

### 5. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with tax efficient quarterly distributions consisting of capital gains and returns of capital initially targeted to be \$0.175 per unit (\$0.70 per annum to yield 7.0% on the 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 0.3125% based on the net asset value of the Fund, as well as an annual fee of 0.9375% based on the net asset value of the Trust (total overall management fee of 1.25%). These fees are calculated weekly and paid monthly in arrears.

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

In addition, the Manager is entitled to an annual performance fee (the "**Performance Fee**") from the Trust once a unitholder of OCP Investment Trust has achieved a preferred return of 9.0%. The Performance Fee is calculated and accrued monthly and paid annually (except that when units are redeemed the accrued Performance Fee in respect of such units will be paid at the time of such redemption). The amount of the Performance Fee is 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 of OCP Investment Trust then outstanding equal to 15% of the amount by which the sum of (i) the net asset value 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 (as defined below). No Performance Fee will be paid unless the Return exceeds 109% of the Threshold Amount. If the Return exceeds 109% of the Threshold Amount, the Manager will be entitled to a Performance Fee equal to 15% of the Return. On December 31, 2009, the Threshold Amount is the net asset value per unit of OCP Investment Trust, immediately following the closing of the offering. Thereafter, the Threshold Amount is the greatest of: (i) the net asset value per unit of OCP Investment Trust immediately following the closing of the offering; (ii) the net asset value per unit of OCP Investment Trust on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (iii) the net asset value per unit of OCP Investment Trust on the Determination Date in the last fiscal year in which a Performance Fee was paid (after payment of such Performance Fee).

As of December 31, 2009, no performance fee was owing to the Manager from the Trust.

Under the Forward Agreement, the Fund will pay to the Counterparty an annual fee of 0.25% of the notional amount of the Forward Agreement (being effectively equal to the net asset value of OCP Investment Trust), calculated weekly and paid quarterly in arrears.

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

All transactions with the Manager are measured at the exchange amounts, and occur within the normal course of business.

## OCP CREDIT STRATEGY FUND

### NOTES TO FINANCIAL STATEMENTS *continued*

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#### 7. FORWARD AGREEMENT

The Fund has used the net proceeds of the offering to pre-pay its obligation to purchase the Canadian Securities Portfolio pursuant to a Forward Agreement that it has entered into with the Counterparty, which has a credit rating of AA- according to S&P. Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 20, 2014, being the scheduled Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of a corresponding number of units of OCP Investment Trust, net of any amount owing by the Fund to the Counterparty. The Fund will partially settle the Forward Agreement prior to the Forward Termination Date in order to fund quarterly distributions, redemptions and repurchases of units from time to time, and operating expenses of the Fund.

#### 8. UNITS ISSUED AND OUTSTANDING

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.

Commencing in 2011, units may be surrendered annually for redemption during the period 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 net asset value 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 units outstanding for the period ended December 31 are summarized as follows:

	2009 #
Units outstanding, beginning of period	–
Issuance of units	20,780,000
Units outstanding, end of period	20,780,000

#### 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 the Prospectus. Restrictions and specific requirements on the redemption of units are described in Note 8. The Statement of Changes in Net Asset and Note 8 outline the relevant changes of the Fund's units for the period.

The Fund's objectives in managing its capital in respect of the units are to provide unitholders with a tax efficient quarterly distributions consisting of capital gains and returns of capital initially targeted to be \$0.175 per unit (\$0.70 per year to yield 7% per year based on the \$10.00 subscription price), while at the same time to preserve and enhance the net asset value.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 4 while maintaining sufficient liquidity to meet distributions and redemptions.

#### 10. INCOME TAXES

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

OCP CREDIT STRATEGY FUND  
**NOTES TO FINANCIAL STATEMENTS continued**

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be subject to income taxes. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and is not taxable to unitholders.

The Fund has accumulated \$637,867 of non-capital losses which may be carried forward to reduce future taxable income for up to twenty years.

**11. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for all Canadian publicly accountable entities (including investment funds) for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Fund will adopt IFRS as the basis for preparing its financial statements. The Fund will issue its financial results for the semi-annual period ended June 30, 2011 prepared in accordance with IFRS and will also provide comparative data on an IFRS basis, including an opening statement of net assets as at January 1, 2010.

In order to meet the requirement to changeover to IFRS, the Fund is following an orderly transition plan. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences, most notably is the requirement to consolidate the financial results of the Fund with OCP Investment Trust. The Manager is reviewing closely the developments of the consolidation exposure draft and is expecting that a final standard will be released in the third quarter of 2010. Apart from this, the main impact of IFRS on accounting policies and implementation decisions is expected to relate to presentation and additional disclosures in the financial statements of the Fund.