OCP Investment Trust

Annual Financial Statements
for the year ended December 31, 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Investment Trust (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 March 22, 2011 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 unitholder. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

Josh Spierer	Michael Gelblat
CHIEF FINANCIAL OFFICER	MANAGING MEMBER
ONEX CREDIT PARTNERS, LLC,	ONEX CREDIT PARTNERS, LLC,
THE MANAGER OF THE FUND	THE MANAGER OF THE FUND
MARCH 22, 2011.	MARCH 22, 2011.

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
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AUDITORS' REPORT

To the Unitholder of **OCP Investment Trust,**

We have audited the accompanying financial statements of OCP Investment Trust (the "**Fund**"), which comprise the schedule of investments as at December 31, 2010, the statements of net assets as at December 31, 2010 and December 31, 2009 and the statements of operations and changes in net assets for the periods then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2010 and December 31, 2009, and its financial performance and its changes in net assets for the periods then ended in accordance with Canadian Generally Accepted Accounting Principles.

Collins Barrow Toronto LLP

LICENSED PUBLIC ACCOUNTANTS
CHARTERED ACCOUNTANTS
TORONTO, CANADA,
MARCH 22, 2011.

STATEMENTS OF NET ASSETS

As at December 31,	2010 $	2009 $
Assets		
Investments held long	**144,892,350**	72,470,516
Cash	**97,356,603**	172,129,413
Cash on deposit with broker as collateral	**159,065**	–
Receivable for investments sold	**18,832,212**	1,653,604
Accrued interest	**684,945**	101,530
	261,925,175	246,355,063
Liabilities		
Investments sold short	**26,156,242**	–
Unfunded bank debt commitments	**879,120**	–
Performance fees payable *[Note 5]*	**1,042,891**	–
Interest on short positions	**630,199**	–
Other payables	**568,947**	237,906
Redemptions payable	**3,760,000**	–
Payable for investments purchased	**31,699,121**	50,286,684
	64,736,520	50,524,590
Net Assets	**197,188,655**	195,830,473
Number of units outstanding *[Note 6]*	**19,094,689**	20,791,733
Net assets per unit	**$10.33**	$9.42

See accompanying notes

OCP INVESTMENT TRUST
STATEMENTS OF OPERATIONS

	Year Ended December 31, 2010 $	Period from November 20, 2009 to December 31, 2009 $
Investment income		
Interest (net)	**6,608,195**	41,989
Dividend, net of withholding tax	**10,225**	–
	6,618,420	41,989
Expenses		
Management fees *[Note 5]*	**1,841,161**	208,970
Performance fees *[Note 5]*	**1,042,891**	–
Other operating expenses	**616,729**	74,219
	3,500,781	283,189
Net investment income (loss)	**3,117,639**	(241,200)
Realized and unrealized gain (loss) on investments and transaction costs		
Net realized foreign exchange gain	**416,166**	255,730
Net realized gain on sale of investments *[Note 7]*	**5,749,392**	529,124
Transaction costs	**(14,891)**	(2,331)
Net unrealized foreign exchange gain	**1,351,063**	507,445
Net change in unrealized appreciation of investments	**7,473,813**	591,205
Net gain on investments	**14,975,543**	1,881,173
Increase in net assets from operations	**18,093,182**	1,639,973
Increase in net assets from operations per unit	**$0.90**	$0.08

See accompanying notes

OCP INVESTMENT TRUST
STATEMENTS OF CHANGES IN NET ASSETS

	Year Ended December 31, 2010 $	Period from November 20, 2009 to December 31, 2009 $
Increase in net assets from operations	**18,093,182**	1,639,973
Distributions to unitholders *[Note 4]*		
From net realized gain on sale of investments	**(18,114,628)**	(1,639,973)
Capital unit transactions *[Note 6]*		
Subscriptions received	**–**	194,190,500
Redemption of units	**(16,735,000)**	–
Distributions reinvestment	**18,114,628**	1,639,973
	1,379,628	195,830,473
Increase in net assets for the period	**1,358,182**	195,830,473
Net assets, beginning of period	**195,830,473**	–
Net assets, end of period	**197,188,655**	195,830,473

See accompanying notes

OCP INVESTMENT TRUST
SCHEDULE OF INVESTMENTS

As at December 31, 2010

Number of Shares or Par Value (US$)	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
LONG POSITIONS					
	BONDS				
800,000	AbitibiBowater Corporation, 10.25%	October 15, 2018	822,521	870,879	
4,862,640	ACST Pass Through Trust Floating Rate	June 20, 2031	4,546,452	4,423,306	
90,000	Ally Financial (formerly known as GMAC Inc.), 8.00%	October 15, 2017	75,689	88,632	
50,000	Ally Financial (formerly known as GMAC Inc.), 6.20%	November 15, 2013	45,004	48,933	
100,000	Ally Financial (formerly known as GMAC Inc.), 6.375%	August 1, 2013	88,860	98,778	
96,000	Ally Financial (formerly known as GMAC Inc.), 7.00%	November 15, 2012	91,054	95,299	
105,000	Ally Financial ((formerly known as GMAC Inc.), 7.00%	January 15, 2013	100,238	104,546	
30,000	Ally Financial (formerly known as GMAC Inc.), 7.10%	January 15, 2013	27,548	29,897	
120,000	Ally Financial (formerly known as GMAC Inc.), 7.10%	January 15, 2013	114,010	119,586	
100,000	Ally Financial (formerly known as GMAC Inc.), 7.125%	August 15, 2012	97,055	99,397	
135,000	Ally Financial (formerly known as GMAC Inc.), , 7.25%	August 15, 2012	131,025	134,278	
1,000,000	Ally Financial (formerly known as GMAC Inc.), 7.50%	August 15, 2017	854,728	944,845	
194,000	Ally Financial (formerly known as GMAC Inc.), 7.75%	October 15, 2017	163,666	188,692	
175,000	Ally Financial (formerly known as GMAC Inc.), 7.875%	November 15, 2012	164,353	174,512	
8,345,000	American General Finance, 6.90%	December 15, 2017	7,203,135	6,699,196	
346,000	Atkore International Inc., 9.875%	January 1, 2018	347,365	357,737	
860,000	Beazer Homes USA, 8.125%	June 15, 2016	709,203	840,011	
2,800,000	BP Capital Markets PLC, 3.625%	May 8, 2014	2,472,742	2,869,452	
1,360,001	CIT Group Inc., 7.00%	May 1, 2016	1,245,498	1,357,121	
1,904,011	CIT Group Inc., 7.00%	May 1, 2017	1,723,322	1,897,613	
410,000	Clearwire Communications, 12.00%	December 1, 2017	411,928	421,869	
1,230,000	ConvaTec Healthcare, 10.50%	December 15, 2018	1,245,254	1,239,624	
6,090,000	Dynegy Holdings Inc., 7.75%	June 1, 2019	4,259,292	4,041,312	
1,990,000	Edison Mission Energy, 7.00%	May 15, 2017	1,518,584	1,567,856	
2,000,000	Edison Mission Energy, 7.75%	June 15, 2016	1,493,144	1,709,946	
4,000,000	Ford Motor Company, 7.45%	July 16, 2031	4,182,027	4,259,951	
3,280,000	Harbinger Group Inc., 10.625%	November 15, 2015	3,238,836	3,277,130	
860,000	K Hovnanian Enterprises, 6.50%	January 15, 2014	686,901	707,490	
7,600,530	K Hovnanian Enterprises, 7.50%	May 15, 2016	5,896,517	5,383,721	
645,000	Lehman Brothers Holdings, 3.60%	Defaulted	159,312	148,284	
11,300,000	Lehman Brothers Holdings, 6.875%	Defaulted	2,692,718	2,780,401	

As at December 31, 2010

Number of Shares or Par Value (US$)	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
3,560,238	Lyondell Chemical Company, 11.00%	May 1, 2018	3,909,493	4,008,400	
2,867,500	Penson Worldwide Inc., 12.50%	May 15, 2017	2,832,093	2,565,664	
2,000,000	Smurfit-Stone Container Corporation, 8.375%	Defaulted	–	64,620	
950	Technicolor DPN (USD)	Defaulted	92,140	91,408	
1,169	Technicolor DPN (EUR)	Defaulted	149,721	150,554	
93,414	ORA / NRS II C	Defaulted	66,063	68,402	
140,120	ORA / NRS II	Defaulted	104,703	98,872	
233,534	ORA / NRS I	Defaulted	170,608	158,570	
Total Bonds			54,132,802	54,186,784	45.98%
	BANK DEBT				
10,070,001	Boyd Gaming Corporation Revolving Commitment	May 24, 2012	9,349,227	9,473,037	
4,429,868	Caesar's (formerly known as Harrah's Operating Company Inc.), Term Loan B3	January 28, 2015	3,678,794	3,973,211	
2,982,521	Caesar's (formerly known as Harrah's Operating Company Inc.), Term Loan B4	October 31, 2016	3,087,026	3,115,989	
1,184,733	CCS Inc. Term Loan	November 14, 2014	1,043,445	1,055,610	
2,969,848	Charter Communications Operations, Term Loan	September 6, 2016	2,950,481	2,910,660	
1,657,838	CIT Term Loan Tranche 3	August 11, 2015	1,836,075	1,678,707	
1,974,555	Federal Mogul Corporation, Term Loan	December 27, 2014	1,650,145	1,829,808	
423,036	Ford Motor Company, Term Loan B1	December 15, 2013	389,477	418,516	
1,652,389	Ford Motor Company, Term Loan B2	December 15, 2013	1,499,041	1,630,153	
12,650,000	GGP TLA Stub	Defaulted	–	188,641	
4,500,000	Level 3 Financing Inc., Term Loan	March 13, 2014	4,127,689	4,221,249	
4,986,654	Mach Gen LLC, Term Loan	February 15, 2015	3,737,174	3,455,792	
1,988,448	Realogy Corporation, Term Loan	October 10, 2013	1,830,034	1,850,060	
6,485,726	South Edge, Term Loan	Defaulted	2,318,567	2,160,017	
9,690,078	Texas Competitive Electric Holdings Company, Term Loan	October 10, 2014	7,817,508	7,418,842	
8,633,479	Tribune Company Revolver, Term Loan	June 4, 2013	6,065,568	5,956,609	
656,462	United Airlines Inc., Term Loan	June 30, 2012	599,036	580,836	
1,154,006	United Airlines Inc., Term Loan	September 30, 2013	1,027,772	975,171	
1,638,368	United Airlines Inc., Term Loan	September 30, 2013	1,427,473	1,384,472	
1,500,000	W.R. Grace Strip, 5-year RC and 364 Day RC	Defaulted	2,681,094	2,706,585	
4,788,000	Willbros United States Holdings Inc., Term Loan	June 30, 2014	4,751,604	4,760,011	
Total Bank Debt			61,867,230	61,743,976	52.39%

As at December 31, 2010

Number of Shares or Par Value (US$)	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
	CREDIT DEFAULT SWAPS				
4,100,000	CDX HY 15 Puts	June 15, 2011	148,515	96,615	
4,100,000	CDX HY 15 Puts	March 16, 2011	106,760	32,123	
4,100,000	CDX HY 15 Puts	March 16, 2011	114,941	16,577	
2,000,000	CDX HY 14 5.00%	June 20, 2015	37,211	(92,240)	
4,300,000	CDX HY 14 5.00%	June 20, 2015	(20,283)	(188,850)	
Total Credit Default Swaps			387,144	(135,775)	(0.12%)
	EQUITIES				
4,907	Ally Financial Inc. (formerly known as GMAC Inc.), Preferred, 7.00% Series 144a		4,348,025	4,610,466	
265,706	Chemtura Corporation		4,018,866	4,202,671	
46,824	CIT Group Inc.		1,422,786	2,190,656	
367	Delphi Equity Class B		5,074,353	7,023,452	
2,050	General Motors Company, 4.75% Preferred Series 'B'		104,258	110,175	
180,000	General Motors Corporation, 5.25% Preferred Series 'B'		1,357,854	1,440,530	
406,000	General Motors Corporation, 6.25% Preferred Series 'C'		3,199,962	3,285,521	
50,115	Smurfit-Stone Container Corporation		1,434,941	1,274,448	
286,000	Smurfit-Stone Container Corporation Escrow		18	–	
16,274	Technicolor		92,726	77,026	
Total Equities			21,053,788	24,214,945	20.55%
	FORWARD CONTRACTS				
	United States Dollar Forward currency contract April 29, 2011 (1)		–	4,831,169	
	United States Dollar Forward currency contract April 29, 2011 (2)		–	51,251	
Total Forward Contracts			–	4,882,420	4.14%
Investments held long			**137,440,965**	**144,892,350**	**122.94%**

SHORT POSITIONS

BONDS

(2,800,000)	BP Capital Markets PLC, 4.75%	March 10, 2019	(2,473,100)	(2,869,911)
(2,050,000)	Dunkin Finance Corporation, 9.625%	December 1, 2018	(2,092,648)	(2,058,397)
(1,200,000)	Caesar's (formerly known as Harrah's Operating Company Inc.), 10.00%	December 15, 2018	(1,020,689)	(1,088,599)
(2,050,000)	Lender Process Services, 8.125%	July 1, 2016	(2,065,530)	(2,088,967)
(1,290,000)	Level 3 Financing Inc., 9.25%	November 1, 2014	(1,211,602)	(1,272,841)

SCHEDULE OF INVESTMENTS continued

As at December 31, 2010

Number of Shares or Par Value (US$)	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
(2,050,000)	MGM Resorts International, 11.375%	March 1, 2018	(2,155,842)	(2,211,248)	
(1,230,000)	Rite Aid Corporation, 9.50%	June 15, 2017	(1,068,681)	(1,039,388)	
(2,150,000)	Simon Property Group LP, 5.65%	February 1, 2020	(2,279,597)	(2,312,133)	
(4,300,000)	Spanish Government Bonds, 4.00%	April 30, 2020	(5,752,091)	(5,151,287)	
(2,400,000)	US Treasury Note, 5.375%	February 15, 2031	(3,104,053)	(2,785,248)	
(2,150,000)	USG Corporation, 9.50%	January 15, 2018	(2,305,721)	(2,073,309)	
(1,200,000)	Warner Chilcott Company LLC, 7.75%	September 15, 2018	(1,261,864)	(1,204,916)	
Total Bonds			(26,791,418)	(26,156,242)	(22.19%)
Investments sold short			**(26,791,418)**	**(26,156,242)**	**(22.19%)**
UNFUNDED BANK DEBT COMMITMENTS					
(4,884,189)	Las Vegas/Venetian Orient	May 18, 2015	(197,126)	(254,921)	
(2,051,860)	Tribune Company Revolver	June 4, 2013	(658,092)	(624,199)	
Unfunded Bank Debt Commitments			**(855,218)**	**(879,120)**	**(0.75%)**
Adjustment for transaction costs			(2,324)	–	
Total Investments			**109,792,005**	**117,856,988**	**100.00%**

(1) Sold 137,247,713 United States dollars for Canadian dollars at a rate of 0.9689. The counterparty is rated A by Standard & Poor's.
(2) Sold 4,100,000 United States dollars for Canadian dollars at a rate of 0.9907. The counterparty is rated A by Standard & Poor's.

See accompanying notes

December 31, 2010 and 2009

1. THE FUND

OCP Investment Trust (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 commenced operations.

The Fund was established for the purpose of acquiring and holding an actively managed, diversified portfolio (the "**Portfolio**") comprised primarily of senior debt obligations of non-investment grade North American issuers.

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 investments. 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.

Investments

Investments are categorized as held for trading and recorded at their fair value. In the case of publicly traded securities, fair value means the closing bid price for long positions and the closing ask price for short positions. For bonds and bank debt (including unfunded bank debt commitments), fair market value means the bid or ask price provided by independent security pricing services or broker quotes. The difference between fair value and average cost, as recorded in the accounts, is shown as "Net change in unrealized appreciation of investments" in the Statements of Operations. Average cost is used to determine the gain or loss on investments sold. Investment transactions are recorded on the trade date.

Derivative financial instruments such as credit default swaps and forward contracts are valued on each valuation date according to the gain or loss that would be realized if the contracts were closed out. Cash on deposit with broker as collateral is noted in the Statements of Net Assets. Derivative financial instruments are recorded at their respective fair values. Realized gains and losses on credit default swaps and forward contracts are included in the Statements of Operations under "Income from derivatives" and "Net realized foreign exchange gain" respectively.

Short Selling

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 Operations in "Net change in unrealized appreciation of investments". When the short position is closed out, the gain and loss is realized and included in the Statements of Operations in "Net realized gain on sale of investments".

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain a margin account with the prime broker containing cash and liquid securities such that the amount deposited as margin will be more than the current market value of the security sold short.

Income and expense recognition

Interest income is recorded when measurable and when collection is reasonably assured.

The accrual method of recording expenses is followed.

Foreign currency translation

Investments at fair value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation dates. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

Realized foreign currency gains and losses on investments are included in the Statements of Operations in "Net realized foreign exchange gain". Unrealized foreign currency gains and losses on investments and other assets (net) are included in the Statements of Operations in "Net change in unrealized appreciation of investments" and "Net unrealized foreign exchange gain" respectively.

Increase in net assets from operations per unit

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

Valuation of fund units for transaction purposes

Net asset value per unit 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.

The difference between net asset value for pricing purposes and net assets for financial reporting purposes results solely from investments in equities, which are valued at their closing sale price for purpose of determining net asset value. As at December 31, 2009 and December 31, 2010, the bid price of the common shares has less than a 1% variance with their closing sale price, and therefore, a reconciliation between net assets and net asset value has not been presented.

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 unitholder.

Transaction costs

Transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash, cash on deposit with broker as collateral, receivable for investments sold, accrued interest, performance fees payable, interest on short positions, other payables, redemptions payable and payable for investments purchased. There are no significant differences between the carrying values of these financial instruments and their fair value. Investments are carried at their fair values as described in Note 2 above.

The following tables show financial instruments recorded at fair value, 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).

As at December 31, 2010:

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial assets				
Equities	17,191,493	7,023,452	–	24,214,945
Bonds	–	54,186,784	–	54,186,784
Bank Debt	–	61,743,976	–	61,743,976
Credit Default Swaps	–	(135,775)	–	(135,775)
Forward Contracts	–	4,882,420	–	4,882,420
	17,191,493	**127,700,857**	**–**	**144,892,350**
Financial liabilities				
Bonds sold short	–	26,156,242	–	26,156,242
Unfunded Bank Debt Commitments	–	879,120	–	879,120
	–	**27,035,362**	**–**	**27,035,362**

As at December 31, 2009:

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial assets				
Equities	1,139,157	–	–	1,139,157
Bonds	–	18,207,000	–	18,207,000
Bank Debt	–	53,124,359	–	53,124,359
	1,139,157	**71,331,359**	**–**	**72,470,516**

4. DISTRIBUTIONS

To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an additional distribution, being the issuance of additional units having a net asset value in the aggregate at the date of distribution equal to this difference. Immediately after any such additional distribution, the number of outstanding units will be consolidated such that the unitholder will hold after the consolidation the same number of units as it held before the distribution of additional units. See Note 6 for disclosure on the additional distribution declared as at December 31, 2010 and 2009.

5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.9375% based on the net asset value of the Fund. This fee is calculated weekly and paid monthly in arrears.

In addition, the Manager is entitled to an annual performance fee (the "**Performance Fee**") once a unitholder of the Fund 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 the Fund 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 the Fund, immediately following the closing of the offering. Thereafter, the Threshold Amount is the greatest of: (i) the net asset value per unit of the Fund immediately following the closing of the offering; (ii) the net asset value per unit of the Fund on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (iii) the net asset value 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).

As at December 31, 2010, the Manager was entitled to a Performance Fee in the amount of $1,997,513. The Manager, in its discretion, reduced the fee to $1,042,891 (2009 – nil).

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.

6. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of transferable and redeemable units of a single class, each of which represents an equal undivided interest in the net assets of the Fund. The unitholder is entitled to redeem its units outstanding on any business day and will receive a redemption price equal to the net asset value per unit of the Fund.

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

	2010 **#**	2009 #
Units outstanding, beginning of period	**20,791,733**	–
Issuance of units	**–**	20,791,733
Units redeemed during the year	**(1,697,044)**	–
Distribution satisfied through issuance of units	**1,931,197**	175,590
Consolidation of units	**(1,931,197)**	(175,590)
Units outstanding, end of year	**19,094,689**	20,791,733

On December 31, 2010, the Manager declared an additional distribution to the sole unitholder of the Fund in the amount of $18,114,628 (2009 – $1,639,973). The distribution was satisfied through the issuance of additional units of the Fund having a value equal to the amount of the distribution. The additional units issued were automatically consolidated on a basis such that the number of consolidated units was equal to the number of units outstanding immediately prior to the transaction.

7. NET REALIZED GAIN ON SALE OF INVESTMENTS

The net realized gain on sale of investments for the years ended December 31 was as follows:

	2010 **$**	2009 $
Proceeds on sale of investments	**161,491,902**	15,654,029
Less cost of investments sold		
Investments, beginning of year	**71,881,355**	–
Investments purchased during the year	**193,653,160**	87,006,260
Investments, cost end of year	**(109,792,005)**	(71,881,355)
Cost of investments sold	**155,742,510**	15,124,905
Net realized gain on sale of investments	**5,749,392**	529,124

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 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 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.

The maximum exposure to any one debt issuer as of December 31, 2010 was $9,473,037 representing 4.80% of the net assets of the Fund (2009 – $9,699,574 or 4.95%).

As at December 31 of the years shown, indirect exposure to debt securities by credit rating is as follows:

	As a % of net assets	
Credit Rating	**2010**	**2009**
AAA	(1.41)	–
AA	(2.61)	–
A	1.07	–
BB	4.72	3.16
B	31.63	11.12
CCC	(0.17)	3.89
C	–	2.24
Not Rated*	12.30	16.01

*Not rated by Standard & Poor's Rating Services.

All transactions executed by the Fund 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.

As at December 31, 2010, approximately 42.93% (2009 – 63.06%) of the Fund's net assets are held in cash (net of amounts receivable for investments sold and payable for investments purchased) and as a result, the Fund'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 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's ended December 31, 2010 and 2009, the Fund does not have a significant exposure to foreign exchange risk as substantially all of the Fund's foreign investments are hedged back to the Canadian dollar.

Other price risk

Other price risk is the risk that the fair value of equities 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.

Since the Fund does not invest substantially in equity securities, the Fund does not have a significant exposure to other price risk as at December 31, 2010 and 2009.

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. Restrictions and specific requirements on the redemption of units are described in Note 6. The Statements of Changes in Net Assets and Note 6 outline the relevant changes of the Fund's units for the year.

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 unitholder redemptions.

10. INCOME TAXES

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and will follow "financial institution" rules for purposes of the "mark-to-market" provisions contained in the Tax Act (Canada). The Fund 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 unitholder. 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. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and is not taxable to the unitholder.

The Fund may be subject to "minimum tax" under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

On January 12, 2011, the Canadian Accounting Standards Board ("**AcSB**") made a decision to extend the deferral of the adoption of International Financial Reporting Standards ("**IFRS**") by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. At the transition date, the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The Fund is continuing with its orderly transition plan to meet the requirements to changeover to IFRS. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences. The major changes identified include the addition of a statement of cash flows and, the classification of unitholder's equity (puttable instruments) as a liability unless certain conditions are met, as well as more extensive note disclosure requirements. These changes will not have an impact on the Fund's results of operations or financial position.