OCP SENIOR CREDIT FUND

Annual Financial Statements for the year ended
December 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Senior Credit 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 March 28, 2012 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
March 28, 2012

Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 28, 2012

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
11 King St. W
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

AUDITORS' REPORT

To the Unitholders of:

OCP Senior Credit Fund

We have audited the accompanying financial statements of OCP Senior Credit Fund (the “Fund”), which comprise the schedule of forward agreement as at December 31, 2011, the statements of net assets as at December 31, 2011 and December 31, 2010 and the statements of operations and changes in net assets for the year ended December 31, 2011 and the period from November 19, 2010 to December 31, 2010 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 for 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, 2011 and December 31, 2010, and its financial performance and its changes in net assets for the year ended December 31, 2011 and the period from November 19, 2010 to December 31, 2010 in accordance with Canadian Generally Accepted Accounting Principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Canada
March 28, 2012

STATEMENTS OF NET ASSETS

As at December 31,

	2011 **$**	2010 $
Assets		
Forward Agreement *[Note 6]*	**303,865,331**	321,996,561
Cash	**5,600,098**	2,207,256
	309,465,429	324,203,817
Liabilities		
Accounts payable and accrued liabilities	**859,309**	988,520
Distributions payable *[Note 4]*	**4,243,188**	–
	5,102,497	988,520
Net Assets	**304,362,932**	323,215,297
Number of units outstanding *[Note 7]*	**33,945,500**	34,100,000
Net assets per unit	**$8.97**	$9.48

See accompanying notes.

STATEMENTS OF OPERATIONS

	For the year ended December 31, 2011 $	For the period from November 19, 2010 to December 31, 2010 $
Investment income		
Interest	**14,271**	7,148
Expenses		
Management fees *[Note 5]*	**1,586,538**	184,207
Dealer service fees *[Note 5]*	**1,269,058**	147,366
Harmonized sales tax	**299,395**	37,493
Securityholder reporting costs	**82,174**	10,550
Independent review committee fees	**54,365**	6,038
Custodian and valuation fees	**36,422**	7,500
Legal fees	**21,280**	10,000
Audit fees	**20,600**	22,500
Trustee fees	**9,025**	1,500
	3,378,857	427,154
Net investment loss	**(3,364,586)**	(420,006)
Realized and unrealized gain (loss) on Forward Agreement		
Net foreign exchange loss	**(105)**	(426)
Net realized gain (loss) on partial settlements of Forward Agreement	**508,408**	–
Transaction costs *[Note 2 and 6]*	**(870,784)**	(100,832)
Net change in unrealized appreciation on Forward Agreement	**5,210,362**	1,399,061
Net gain on Forward Agreement	**4,847,881**	1,297,803
Increase in net assets from operations	**1,483,295**	877,797
Increase in net assets from operations per unit	**$0.04**	$0.03

See accompanying notes.

STATEMENTS OF CHANGES IN NET ASSETS

	For the year ended December 31, 2011 $	For the period from November 19, 2010 to December 31, 2010 $
Increase in net assets from operations	**1,483,295**	877,797
Distributions to unitholders *[Note 4]*		
Return of capital	**(18,991,013)**	–
Capital unit transactions *[Note 7]*		
Subscriptions received	**–**	341,000,000
Units purchased for cancellation	**(1,336,144)**	–
Agents' fees and expenses of issue *[Note 1]*	**(8,503)**	(18,662,500)
	(1,344,647)	322,337,500
Decrease in net assets for the period	**(18,852,365)**	323,215,297
Net assets, beginning of period	**323,215,297**	–
Net assets, end of period	**304,362,932**	323,215,297

See accompanying notes.

SCHEDULE OF FORWARD AGREEMENT

As at December 31, 2011

Par Value (US $)	Description	Maturity date	Average cost (US$)	Fair value (US$)
Investments held by OCP Credit Trust				
TOTAL RETURN SWAP				
BONDS				
802,000	Atkore International Inc., 9.875%	January 1, 2018	829,201	767,915
3,500,000	Ceva Group PLC, 8.375%	December 1, 2017	3,544,722	3,281,250
1,062,000	CityCenter Holdings, LLC, 7.625%	January 15, 2016	1,062,000	1,088,550
4,000,000	NAI Entertainment Holdings LLC, 8.25%	December 15, 2017	4,149,500	4,230,000
Total Bonds			9,585,423	9,367,715
BANK DEBT				
1,894,941	Altegrity Inc. (f/k/a U.S. Investigation Services Inc.), Term Loan	February 21, 2015	1,804,932	1,752,821
7,474,862	Ascend Learning, LLC, Term Loan	December 6, 2016	7,325,365	7,256,843
6,064,181	Aveta Inc., LLC, Term Loan	April 13, 2015	5,882,255	5,973,218
11,777,745	AWAS Finance, Term Loan	June 10, 2016	12,190,577	11,689,411
6,650,000	Boyd Gaming Corporation, Term Loan	December 17, 2015	6,332,938	6,350,750
13,456,575	Brickman Group Holdings, Term Loan	October 14, 2016	13,681,936	13,439,754
7,905,491	Caesars Entertainment Operating Co Inc., Term Loan B3	January 28, 2015	7,163,116	6,840,724
4,937,028	Caesars Entertainment Operating Co Inc., Term Loan B4	October 31, 2016	5,128,337	4,890,743
10,000,000	Caesars Linq, LLC/ Caesars Octavius, LLC Term Loan	April 25, 2017	9,900,000	9,483,330
6,915,114	CCS Inc., Term Loan	November 14, 2014	6,231,012	6,335,973
5,185,473	Ceva Group PLC (f/k/a Louis No. 1 PLC/TNT Logistics), Term Loan	August 31, 2016	4,913,235	4,736,063
77,132	Charter Communications Operating LLC, Term Loan B2	March 6, 2014	80,313	76,746
154,258	Charter Communications Operating LLC, Term Loan B1	March 6, 2014	151,173	152,870
10,993,201	CityCenter Holdings LLC, Term Loan	January 15, 2015	11,185,582	10,933,650
1,730,938	Commscope Inc., Term Loan	January 14, 2018	1,722,283	1,716,514
7,500,000	Cumulus Media Holdings Inc., Term Loan	September 1, 2018	7,425,000	7,331,250
15,958,173	Delos Aircraft Inc., Term Loan	March 17, 2016	16,279,001	15,982,110
2,516,618	Delta Air Lines, Inc., Term Loan	March 7, 2016	2,504,035	2,359,329

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2011

Par Value (US $)	Description	Maturity date	Average cost (US$)	Fair value (US$)
3,276,000	Dynegy Power, LLC Term Loan	July 29, 2016	3,328,920	3,315,780
3,948,586	Federal Mogul Corporation, Term Loan	December 29, 2014	3,573,470	3,644,217
2,327,711	First Data Corporation, Term Loan B-1	September 24, 2014	2,109,488	2,096,879
4,655,422	First Data Corporation, Term Loan B-2	September 24, 2014	4,218,976	4,188,716
1,399,554	FIG LLC, Term Loan	September 30, 2015	1,417,048	1,385,558
9,767,964	Guitar Center Inc., Term Loan	April 9, 2017	9,051,347	8,498,129
3,547,303	Houghton International Inc., Term Loan	January 29, 2016	3,529,566	3,522,915
8,750,000	Intelsat Jackson Holdings S.A., Term Loan	February 1, 2014	8,343,750	8,308,125
11,962,388	Intelsat Jackson Holdings S.A., Term Loan	April 2, 2018	11,936,754	11,902,576
2,481,250	Knology Inc., Term Loan	August 18, 2017	2,481,250	2,410,949
12,269,250	Lawson Software, Inc., Term Loan	July 5, 2017	11,778,480	11,952,298
10,000,000	Level 3 Financing Inc., Term Loan	March 13, 2014	9,343,750	9,537,500
4,760,910	Novelis Corporation, Term Loan	March 10, 2017	4,713,301	4,670,453
5,771,700	Remy International Inc., Term Loan	December 16, 2016	5,778,915	5,651,458
5,000,000	Ship Luxco, Term Loan	October 15, 2017	5,043,750	4,895,835
13,068,000	Springleaf Financial Funding Company, Term Loan	May 10, 2017	12,904,980	11,328,323
3,637,444	Trinseo Materials Operating S.C.A. (f/k/a Styron S.A.R.L.), Term Loan	August 2, 2017	3,641,990	3,123,655
8,910,000	Syniverse Holdings Inc., Term Loan	January 21, 2018	8,944,650	8,893,294
1,789,920	Texas Competitive Electric Holdings Company, Non-Extending Term Loan	October 10, 2014	1,424,105	1,245,673
9,664,000	The Great Atlantic & Pacific Tea Company Inc., Term Loan	June 14, 2012	9,756,106	9,672,050
971,657	The ServiceMaster Company, Term Loan	July 24, 2014	921,860	924,559
2,877,339	U.S. Foodservice, Inc., Term Loan	June 29, 2014	2,625,571	2,649,206
Total Bank Debt			246,769,117	241,120,247
Total Bonds and Bank Debt			**256,354,540**	**250,487,962**
Unrealized loss on total return swap (US$)				**(5,866,578)**
Unrealized loss on total return swap (C$)				**(5,966,032)**

SCHEDULE OF FORWARD AGREEMENT continued

Par Value (US $)	Description	Maturity date	Average cost $	Fair value $
OTHER INVESTMENTS				
BONDS				
5,867,410	ACST Pass Through Trust Floating Rate	December 8, 2012	5,110,089	5,071,846
Total Bonds			5,110,089	5,071,846
BANK DEBT				
2,725,306	Alon USA Energy, Inc., Term Loan	August 2, 2013	2,434,180	2,601,752
3,718,020	Altegrity Inc. (f/k/a U.S. Investigation Services Inc.), Term Loan	February 21, 2015	3,620,037	3,724,334
19,000,000	Apollo Management Holdings, L.P., Term Loan	January 3, 2017	17,519,244	17,583,110
1,366,575	Autoparts Holdings Ltd., Term Loan	July 5, 2017	1,289,454	1,387,136
3,792,334	Aveta Inc., Term Loan	April 13, 2015	3,712,762	3,798,775
5,458,750	Brock Holdings III, Inc., Term Loan	March 16, 2017	5,314,094	5,370,873
1,575,925	Commscope Inc., Term Loan	January 14, 2018	1,580,587	1,589,286
5,970,000	Crown Media Holdings Inc., Term Loan	July 8, 2018	5,689,819	5,980,139
1,954,000	Cumulus Media Holdings Inc., Term Loan	September 1, 2018	1,864,055	1,942,415
1,858,343	Dynegy Midwest Generation, LLC, Term Loan	July 29, 2016	1,779,569	1,900,240
3,343,620	Dynegy Power, LLC, Term Loan	July 29, 2016	3,201,887	3,441,593
10,774,059	Equipower Resources Holdings, LLC, Term Loan	January 26, 2018	10,696,257	10,299,305
15,213,812	Federal Mogul Corporation, Term Loan	December 27, 2014	14,357,700	14,279,119
10,000,000	First Data Corporation, Term Loan B-2	September 24, 2014	9,051,162	9,150,031
4,239,068	Houghton International Inc., Term Loan	January 31, 2016	5,786,471	5,534,469
10,400,000	Level 3 Financing Inc., Term Loan	March 13, 2014	9,840,799	10,087,153
2,494,000	Level 3 Financing Inc., Term Loan B-2	September 1, 2018	2,379,198	2,491,104
7,987,007	MetroPCS Wireless Inc., Term Loan	March 17, 2018	7,713,486	7,878,735
3,970,000	Nortek Inc., Term Loan	April 26, 2017	3,770,414	3,931,323
12,197,825	Radio One Inc., Term Loan	March 31, 2016	11,613,816	11,466,511
12,560,380	Select Medical Corporation, Term Loan	May 11, 2018	12,087,854	12,134,645
2,687,190	Spectrum Brands Inc., Term Loan	June 16, 2016	2,685,068	2,731,037
9,439,389	Springleaf Financial Funding Company, Term Loan	May 10, 2017	9,188,905	8,321,490

SCHEDULE OF FORWARD AGREEMENT continued

Par Value (US $)	Description	Maturity date	Average cost $	Fair value $
6,760,000	SRA International Inc., Term Loan	July 15, 2018	6,156,117	6,427,751
10,329,319	TC Group, LLC, Term Loan	December 31, 2015	9,698,855	10,176,164
9,306,218	Trinseo Materials Operating S.C.A (f/k/a Styron S.A.R.L), Term Loan	August 2, 2017	9,235,745	8,127,195
6,494,000	Texas Competitive Electric Holdings Company, Non-Extending Term Loan	October 10, 2014	4,773,065	4,596,037
9,922,078	U.S. Foodservice Inc., Term Loan	June 29, 2014	9,137,053	9,290,265
4,505,428	Willbros United States Holdings Inc., Term Loan	June 30, 2014	4,525,936	4,558,898
Total Bank Debt			190,703,589	190,800,885
Total Investments			**195,813,678**	**195,872,731**

	Fair value (C$)
Other Assets and Liabilities held in OCP Credit Trust	
Unrealized gain on forward contracts	5,675,565
Cash	6,335,678
Cash on deposit with broker as collateral	98,980,657
Receivable for investments sold	34,706
Accrued interest	3,994,065
Accounts payable and accrued liabilities	(733,449)
Interest payable	(328,590)
Forward Agreement	**303,865,331**

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

1. THE FUND

OCP Senior Credit Fund (the "**Fund**") is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 25, 2010. On November 19, 2010 the Fund completed an initial public offering of 30,000,000 units at $10 per unit and 2,000,000 units at $10 per unit as a partial exercise of an over-allotment option granted to the agents. On December 9, 2010, the agents further exercised the over-allotment option, subscribing for an additional 2,100,000 units at $10 per unit. Agents' fees and expenses of issue relating to the initial public offering of units totaled $18,671,003.

The Fund is designed to provide unitholders with a stable source of tax-advantaged income through exposure to the performance of an actively managed, diversified portfolio (the "**Portfolio**") comprised of senior secured loans and other 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 19, 2015 (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 Credit 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 net asset value of the Trust. The Forward Agreement is categorized as held for trading and changes in fair value are reflected in the Fund's Statements of Operations under "Net change in unrealized appreciation on Forward Agreement." Trade date accounting is used.

Transaction costs

Portfolio 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, fees incurred in conjunction with the Fund's Forward Agreement and levies by regulatory agencies and securities exchanges.

NOTES TO FINANCIAL STATEMENTS continued

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 Statements 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 is calculated daily 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.

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.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash, accounts payable and accrued liabilities and distributions payable. There are no significant differences between the carrying value 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. 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 $0.125 per unit ($0.50 per annum to yield 5.0% 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).

5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.50% based on the net asset value of the Fund, as well as an annual fee of 1.00% based on the net asset value of the Trust (total overall management fee of 1.50%). These fees are calculated daily and paid monthly in arrears.

NOTES TO FINANCIAL STATEMENTS continued

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 daily 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.

6. 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 Standard & Poor's Rating Services ("**S&P**"). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 19, 2015, 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 Credit 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. Under the Forward Agreement, the Fund will pay to the counterparty an annual fee as negotiated with the counterparty, of the notional amount of the Forward Agreement (being effectively equal to the net asset value of the Trust), calculated daily and paid quarterly in arrears.

7. 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 2012, units may be surrendered annually for redemption during the period from the first business day in March until 5:00pm (Toronto time) on March 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 May 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 periods ended December 31 are summarized as follows:

	2011 **#**	2010 \#
Units outstanding, beginning of period	**34,100,000**	–
Issuance of units	**–**	34,100,000
Units purchased for cancellation	**(154,500)**	–
Units outstanding, end of period	**33,945,500**	34,100,000

NOTES TO FINANCIAL STATEMENTS continued

Under a normal course issuer bid, which will expire on March 28, 2012, 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 were repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). 154,500 units were purchased under this normal course issuer bid at an average price of $8.64 per unit in 2011.

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 and currency 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 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 regulations.

As the Fund obtains exposure to the Portfolio held in the 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, 2011, the credit exposure is $303,865,331 (2010 – $321,996,561) and is represented by the net asset value of the 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, 2011 and 2010, the Counterparty had a current credit rating of AA- by S&P.

The Fund is also exposed to credit risk of the debt securities it has exposure to via the Forward Agreement, which derives its value based on the performance of the Trust's Portfolio. The Trust has exposure to senior secured loans and other senior debt obligations of non-investment grade issuers, which are held directly or in a total return swap ("**TRS Facility**"). This represents the main concentration of credit risk. The fair value of debt securities held directly or in the TRS Facility, includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the Fund. The Trust currently uses only one counterparty for its TRS Facility. Credit risk for the TRS Facility is managed by dealing with a counterparty that had a current credit rating of AA- by Standard & Poor's as at December 31, 2011 and 2010.

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, 2011 was $22,277,443 representing 7.33% of the net assets of the Trust.

NOTES TO FINANCIAL STATEMENTS continued

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

	As % of the Trust's net assets
Credit rating	2011
A	**1.67**
BBB	**9.72**
BB	**32.00**
B	**92.31**
CCC	**1.93**
Not rated*	**10.66**

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

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.

The Fund has financial liabilities outstanding including accounts payable and accrued liabilities and distributions payable. These financial liabilities are all current and due within 12 months. The Fund has sufficient cash on hand to settle these financial liabilities.

The Forward Agreement 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.

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.

The Fund is exposed to the performance of the Trust, which invests in debt securities which may bear interest. Consequently, the Fund is exposed to interest rate risk on the Portfolio. Changes in the prevailing levels of market interest rates is not expected to have a significant impact on the fair value of the TRS Facility or investments nor the related interest income and TRS Facility funding cost 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 is exposed to the performance of the 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 years ended December 31, 2011 and 2010, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Trust's foreign exposure is hedged back to the Canadian dollar.

NOTES TO FINANCIAL STATEMENTS 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 the Prospectus. Restrictions and specific requirements on the redemption of units are described in Note 7. The Statements of Changes in Net Assets 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 tax-efficient quarterly distributions consisting of capital gains and returns of capital initially targeted to be $0.125 per unit ($0.50 per unit per year to yield 5% 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 8 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 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 has accumulated $7,995,381 non-capital losses, which may be carried forward to reduce future taxable income for up to twenty years.

	Expiration of Non-Capital Losses	
Non-Capital Losses	2030	2031
$7,995,381	$1,115,376	$6,880,005

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

On December 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, 2014. This extends the previous two-year deferral of IFRS to three years as compared to other publicly accountable entities. Consequently, IFRS will be applicable to the Fund for the fiscal year beginning January 1, 2014. At the transition date the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The deferral is to provide time for the International Accounting Standards Board ("**IASB**") to finalize its guidance on investment entities such that a final standard could be issued after January 1, 2013, the previously established changeover date for investment companies in Canada.

NOTES TO FINANCIAL STATEMENTS continued

The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences, the most notable is the requirement to consolidate the financial results of the Fund with the Trust. Currently, investment entities would have to follow the consolidation requirements as set out in IFRS 10 Consolidated Financial Statements because IFRS does not differentiate between them and other entities. As a result, they would have to consolidate their financial statements with that of an entity they are investing in if they control that entity. As part of a project on consolidated financial statements, the IASB published an Exposure Draft ("**ED**") for Investment Entities on August 25, 2011, that proposes an exception to the principle in IFRS that an entity consolidates all controlled entities. Instead, the ED would require an entity that meets the criteria to be an investment entity to measure all controlled investments at fair value, with changes recognized in profit or loss. Comments on the ED were due by January 5, 2012. The IASB expects to complete the project in the second half of 2012.

Apart from this, other 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.

The process of evaluating the potential impact of IFRS on the financial statements is ongoing, as the IASB and the AcSB continue to issue new standards and recommendations.

12. RECLASSIFICATION

Certain comparative figures have been reclassified to conform to the current year's presentation.

910 Sylvan Avenue, Englewood Cliffs
New Jersey U.S.A. 07632
(647) 260-4055 or (877) 260-4055
www.ocpseniorcredit.com • info@ocpfunds.com