OCP CREDIT TRUST

Annual Financial Statements for the year ended
December 31, 2011

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Credit 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 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

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AUDITORS' REPORT

To the Unitholder of:

OCP Credit Trust

We have audited the accompanying financial statements of OCP Credit Trust (the "Fund"), which comprise the schedules of investments and total return swap 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		
Unrealized gain on total return swap *[Note 3]*	**–**	367,778
Unrealized gain on forward contracts *[Note 4]*	**5,675,565**	1,446,170
Investments	**195,872,731**	–
Cash	**6,335,678**	242,930,946
Cash on deposit with broker as collateral *[Note 3]*	**98,980,657**	59,651,465
Receivable for investments sold	**34,706**	17,639,514
Accrued interest	**3,994,065**	319,215
	310,893,402	322,355,088
Liabilities		
Unrealized loss on total return swap *[Note 3]*	**5,966,032**	–
Accounts payable and accrued liabilities	**733,449**	358,527
Interest payable	**328,590**	–
	7,028,071	358,527
Net Assets	**303,865,331**	321,996,561
Number of units outstanding *[Note 8]*	**34,121,864**	34,121,864
Net assets per unit	**$8.91**	$9.44

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	**26,016,216**	1,137,620
Expenses		
Interest expense	**3,497,705**	63
Management fees *[Note 7]*	**3,167,155**	366,688
Harmonized sales tax	**420,457**	53,756
Other administration costs	**173,668**	–
Custodian and valuation fees	**79,919**	9,268
Legal fees	**27,609**	10,000
Audit fees	**20,600**	22,500
Independent review committee fees	**9,925**	1,325
Trustee fees	**9,025**	1,500
Securityholder reporting costs	**4,397**	4,000
	7,410,460	469,100
Net investment income	**18,605,756**	668,520
Realized and unrealized gain (loss) on investments		
Net foreign exchange loss	**(11,951,345)**	(1,141,640)
Net realized gain on sale of investments *[Note 9]*	**680,133**	58,233
Net realized gain on total return swap	**429,588**	–
Net change in unrealized appreciation of investments	**59,053**	–
Net change in unrealized appreciation (depreciation) of derivatives	**(2,104,415)**	1,813,948
Net gain (loss) on investments	**(12,886,986)**	730,541
Increase in net assets from operations	**5,718,770**	1,399,061
Increase in net assets from operations per unit	**$0.17**	$0.04

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	**5,718,770**	1,399,061
Distributions to unitholders *[Note 6]*		
From net investment income	**(5,718,770)**	(1,399,061)
Return of capital	**(18,131,230)**	–
	(23,850,000)	(1,399,061)
Capital unit transactions *[Note 8]*		
Subscriptions received	**–**	320,597,500
Distributions reinvested	**–**	1,399,061
	–	321,996,561
Increase (decrease) in net assets for the period	**(18,131,230)**	321,996,561
Net assets, beginning of period	**321,996,561**	–
Net assets, end of period	**303,865,331**	321,996,561

See accompanying notes.

SCHEDULE OF TOTAL RETURN SWAP

As at December 31, 2011

Par Value (US $)	Description	Maturity date	Average cost (US$)	Fair value (US$)
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
6,915,114	CCS Inc., Term Loan	November 14, 2014	6,231,012	6,335,973
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
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
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

SCHEDULE OF TOTAL RETURN SWAP continued

As at December 31, 2011

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

See accompanying notes.

SCHEDULE OF INVESTMENTS

As at December 31, 2011

Par Value (US $)	Description	Maturity date	Average cost $	Fair value $	% of Portfolio
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	2.59%
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	
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	

SCHEDULE OF INVESTMENTS continued

As at December 31, 2011

Par Value (US $)	Description	Maturity date	Average cost $	Fair value $	% of Portfolio
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	97.41%
Total Investments			**195,813,678**	**195,872,731**	**100.00%**

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

1. THE FUND

OCP Credit Trust (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 commenced operations.

The Fund was established for the purpose of acquiring and holding an actively managed, diversified portfolio (the "**Portfolio**") comprised primarily of senior secured loans and other senior debt obligations of non-investment grade North American issuers. The Fund may invest in, or use, derivative instruments to achieve its investment objectives. In the pursuit of its objectives, the Fund may employ leverage up to 40% of its total assets.

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 period. Significant estimates include the valuation of investments, forward contracts and total return swap. 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, 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.

Derivative financial instruments such as total return swaps and forward contracts are valued at each valuation date according to the gain or loss that would be recognized 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 forward contracts are included in the Statements of Operations under "Net foreign exchange loss". Unrealized gains and losses on derivatives are included in the Statements of Operations under "Net change in unrealized appreciation (depreciation) of derivatives". Realized gains and losses on total return swap are included in the "Net realized gain on total return swap".

Investment transactions are recorded on the trade date.

Income and expense recognition

The accrual method of recording income and expenses is followed.

NOTES TO FINANCIAL STATEMENTS continued

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

Increase (decrease) in net assets from operations per unit

The increase (decrease) in net assets from operations per unit in the Statements of Operations represents the increase (decrease) 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.

As at December 31, 2011, there is no difference between net asset value for pricing purposes and net assets for financial reporting purposes.

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.

3. TOTAL RETURN SWAP

The Fund's investment strategy is to deliver attractive risk-adjusted returns and stable income while emphasizing preservation of capital and capital appreciation by targeting senior secured loans and other senior debt obligations of non-investment grade issuers. To provide the Fund with the means to meet its investment objective, on December 20, 2010 the Fund entered into a total return swap ("**TRS Facility**") with The Bank of Nova Scotia (the "**Counterparty**") as the counterparty.

Pursuant to the TRS Facility, the Counterparty will agree to pay to the Fund the total return of the defined underlying reference assets, which includes both the income they may generate and any capital appreciation. In return, the Fund will pay to the Counterparty a funding cost calculated daily based on a floating rate option plus a spread of 1.25%, and any administrative fees or expenses which are incurred by the Counterparty directly. The floating rate option varies depending on the currency in which the reference assets are denominated. The following summarizes the floating rate options:

Base currency of reference assets	Floating rate options
USD	USD-LIBOR-BBA
Euro	EUR-ERIBOR-Reuters
GBP	GBP-LIBOR-BBA
CAD	CAD-BA-CDOR

NOTES TO FINANCIAL STATEMENTS continued

If the prices of the underlying reference assets fall, the Fund will be required to pay the amount by which the assets have fallen in price to the Counterparty upon the deletion of a reference asset, or if later, at the end of December 20, 2013, which is the scheduled ramp-down date.

The reference assets of the TRS Facility are listed in the Schedule of Total Return Swap.

The Fund has $98,980,657 (December 31, 2010 – $59,651,465) on deposit with the Counterparty as credit support. Interest earned on the collateral is paid to the Fund and is included as interest income in the Statements of Operations.

4. FORWARD CONTRACTS

The Fund had entered into forward currency contracts to deliver currencies at a specific future date as follows:

As at December 31, 2011:

Sale	**Amount $**	**Purchase**	**Amount $**	**Contract price $**	**Settlement date**	**Unrealized foreign exchange gain on contract $**
USD	286,253,000	CDN	296,987,488	0.9639	January 18, 2012	5,671,414
EUR	4,200,000	CDN	5,557,650	0.7557	January 31, 2012	4,151
						5,675,565

As at December 31, 2010:

Sale	Amount $	Purchase	Amount $	Contract price $	Settlement date	Unrealized foreign exchange gain on contract $
USD	132,599,227	CDN	133,278,135	0.9949	January 4, 2011	1,446,170

The counterparty is rated A- by Standard & Poor's.

NOTES TO FINANCIAL STATEMENTS continued

5. 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, accounts payable and accrued liabilities and interest payable. There are no significant differences between the carrying values of these financial instruments and their fair value. Derivatives and investments are carried at their fair values as described in Note 2 above.

The following table shows 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, 2011:

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial assets				
Bonds	–	5,071,846	–	5,071,846
Bank debt	–	190,800,885	–	190,800,885
Forward contracts	–	5,675,565	–	5,675,565
	–	**201,548,296**	**–**	**201,548,296**

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial liabilities				
Total return swap	–	5,966,032	–	5,966,032
	–	**5,966,032**	**–**	**5,966,032**

As at December 31, 2010:

	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Financial assets				
Total return swap	–	367,778	–	367,778
Forward contracts	–	1,446,170	–	1,446,170
	–	**1,813,948**	**–**	**1,813,948**

NOTES TO FINANCIAL STATEMENTS continued

6. 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 8 for disclosure on additional distributions declared during the periods.

7. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 1.00% based on the net asset value of the Fund. This fee is calculated daily and paid monthly 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.

8. 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 periods ended December 31 are summarized as follows:

	2011 **#**	2010 #
Units outstanding, beginning of period	**34,121,864**	–
Issuance of units	–	34,121,864
Distribution satisfied through issuance of units	–	148,836
Consolidation of units	–	(148,836)
Units outstanding, end of period	**34,121,864**	34,121,864

On December 31, 2010, the Manager declared an additional distribution to the sole unitholder of the Fund in the amount of $1,399,061. 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.

NOTES TO FINANCIAL STATEMENTS continued

9. NET REALIZED GAIN ON SALE OF INVESTMENTS

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

	2011 $	2010 $
Proceeds on sale of investments	**77,893,640**	19,547,977
Less cost of investments sold		
Investments, beginning of period	**–**	–
Investments purchased during the period	**273,027,185**	19,489,744
Investments, cost end of period	**(195,813,678)**	–
Cost of investments sold	**77,213,507**	19,489,744
Net realized gain on sale of investments	**680,133**	58,233

10. 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 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 secured loans and other senior debt obligations of non-investment grade issuers, which involves risk of loss and price changes due to such factors as an issuer's creditworthiness. 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 creditworthiness of the issuer, and accordingly, represents the maximum credit exposure of the Fund. The Fund currently uses only one counterparty for its TRS Facility. Credit risk for the TRS Facility is managed by dealing with a counterparty that has a current credit rating of AA- by Standard and Poor's (2010 – AA-).

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

NOTES TO FINANCIAL STATEMENTS continued

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

	As % of 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 interest payable. These financial liabilities are all current and due within 12 months. The Fund has sufficient cash on hand to settle these financial liabilities.

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.

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 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 year ended December 31, 2011, the Fund does not have a significant exposure to foreign exchange risk as substantially all of the Fund's foreign exposure is hedged back to the Canadian dollar.

NOTES TO FINANCIAL STATEMENTS continued

11. 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 Statements of Changes in Net Assets and Note 8 outline the relevant changes of the Fund's units for the periods.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 10 while maintaining sufficient liquidity to meet unitholder redemptions.

12. 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.

13. 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.

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.

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.

14. RECLASSIFICATION

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

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