OCP Senior Credit Fund – First Anniversary Letter

November 2011 marked the first anniversary of the OCP Senior Credit Fund (OSL.UN) (the "Fund") following its initial public offering on the Toronto Stock Exchange. In this letter we will review the key features of senior secured loans, the Fund's performance, and our outlook for the Fund.

The Fund's objectives are to provide attractive tax-advantaged income and preserve capital by investing in a portfolio of predominantly North American senior secured corporate loans. The Fund's IPO was well received as investors looked favorably upon a unique and difficult to access investment strategy with the potential for attractive risk and return, and potential benefits in periods of rising interest rates. Over the past 12 months we built a diversified portfolio of larger, more actively traded senior secured loans that meet our rigorous credit criteria.

In a highly volatile and challenging year in the markets, the return on the Fund's opening NAV including distributions, since inception and through year to date November has been essentially flat. During the first half of the year, we deployed the Fund's capital and generated a net return of 2.4%, including distributions. In the second half of the year, the Fund's NAV was adversely impacted by largely technical market factors, as the loan market sold-off as part of a flight to safety in response to sovereign debt issues in the U.S. and Europe. Notwithstanding the Fund's ramp-up, the interest income from the Fund's portfolio has been largely sufficient to provide for the distributions, as well as the Fund's fees and expenses.

We remain confident in the fundamental value and return potential of the Portfolio. The Portfolio has experienced no defaults, and we continue to expect the Portfolio's investments to repay at or before maturity at par, notwithstanding their current mark-to-market discounted prices.

The Fund continues to be a relatively defensive source of attractive tax-advantaged income and very good complement to investment grade and high yield bonds in a portfolio. The Fund is particularly attractive in the current environment of high volatility and low interest rates, and as described below we believe the outlook for the loan market and the Fund's performance remains favorable.

Asset Class Overview

In the U.S., senior loans is an investment strategy that has been available to retail investors for more than 20 years and is today widely accepted as an effective portfolio diversifier. With a current market value of $1.2 trillion, the U.S. non-investment grade loan market is slightly larger than the $1.1 trillion high yield bond market. In addition to traditional banks, the asset class is widely held by institutional investors including: insurance companies, endowments and pension funds as well as retail investors.

Investors generally invest in senior loans as a portfolio diversifier for their unique defensive features and attractive floating rate income. Senior loans are generally the most senior position in a company's capital structure and secured by a first lien priority on a borrowers' assets. Historically when senior loans default, their ultimate recovery rate has been 70-80%, approximately twice the comparable rate of recovery for high yield and investment grade bonds. In periods of rising interest rates, floating rate senior loans have outperformed fixed rate bonds due to their potential for increased income and minimal interest rate risk.

Senior loans have generally exhibited low-to-moderate correlation with other widely held assets. Since inception of the CS Leveraged Loan Index in 1992 to today, the correlation of loans to Canadian equities is 0.47, to Canadian government bonds, 0.27, to US equities, 0.42, and to commodities, 0.35. Senior loans are also an attractive complement to high yield bonds due to their significantly higher credit quality and lower interest rate risk.

However, during periods of extreme market volatility, the correlation of loans to other asset classes has at times temporarily risen due primarily to technical factors. For example in 2008, senior loans experienced a sharp and unprecedented rise in volatility, but rebounded quickly in 2009 as investors refocused on fundamentals. During the second half of this year, in light of macro concerns, senior loan prices dropped and bid offered spreads widened as increased selling was met by a pull-back in buying by cautious investors and market makers.

On a long term normalized basis, senior secured loans have performed well across market cycles. In a slow growth / recessionary environment, they are defensive compared to equity and high yield bonds given seniority and security. In a strong growth / rising rate environment, loans benefit from their floating rate coupon, and have outperformed fixed rate bonds. Since inception in 1992, the CS Leveraged Loan index has experienced only one year of negative performance, that being 2008.

Performance Review

Performance of the Fund's opening NAV is essentially flat from inception through November, -0.14%, and year to date November, -0.42%, taking into account three distributions paid totaling $0.43 per unit. The Fund's performance includes the inherent costs of building a new portfolio, and the third quarter's extreme volatility. Even with the ramp-up of the Fund, since inception interest income has been sufficient to provide for the overwhelming majority of the Fund's distributions, fees and expenses.

In the first half of the year, the Fund generated a net return of 2.4%, including distributions. For the third quarter, the overall senior loan market, as measured by the CS Leveraged Loan Index, suffered a loss of 3.8%, the worst since the fourth quarter of 2008, and the fourth worst quarterly loss since inception of the CS Leveraged Loan Index in 1992. The Fund's third quarter performance of -5.4% is slightly better than the market's performance, adjusting for the Fund's leverage of approximately 1.5x, and highly favorable compared to the TSX's performance of -14.0% and S&P 500's performance of -13.9%.

The market's and the Fund's third quarter losses resulted primarily from technical factors related to investors' desire to reduce risk. A sudden surge in selling was met with reduced demand by dealers and investors, causing bid ask spreads to widen from on average 50 basis points to 150-200 basis points or more. This was particularly true for the larger, more actively traded loans emphasized by the Fund. By October, bid ask spreads had tightened modestly, to approximately 115 basis points. In the stub period of October and November, the Fund returned 2.66% on a net basis compared to the CS Leveraged Loan Index return of 2.21%, reflecting the combined benefits of interest income, market improvement and investment specific performance.

Compared to the overall market, the Fund emphasizes senior secured loans that we believe are higher credit quality and more actively traded. The Fund has not experienced a default since inception, and we continue to believe the holdings will repay at par on or before their stated maturities and recover mark-to-market losses. As of mid-December, the average price of holdings in the portfolio was $0.95 representing potential for capital appreciation. In the current environment, the Fund's interest income net of leverage supports the overwhelming majority of fees, expenses and distributions.

The Fund is actively managed to identify potential sources of risk, including credit, liquidity, market, and currency risk. Credit risk is managed by applying a disciplined, fundamental research process in the evaluation of both new and current positions. Key credit selection criteria include:

- Strong market positions, attractive and sustainable business models, and high quality management teams
- Significant levels of asset and, or cash flow coverage resulting in strong principal protection
- Primary focus on North American issuers.

The Fund focuses on larger and more actively traded credits to mitigate liquidity risk. Leverage is in the form of a committed, term credit facility provided by a AA rated Canadian bank. The U.S. dollar holdings of the Fund are hedged back to Canadian dollars through the consistent use of foreign exchange forward contracts.

Market Outlook

The Credit Suisse Leveraged Loan Index is on track to finish the year slightly positive despite the year's extreme volatility. While spreads have tightened a bit since their third quarter spike, current loan valuations still represent an attractive level on an absolute and risk adjusted basis. Investors appear to be over compensated for current and forecast default rates, even in extremely pessimistic economic scenarios.

As of mid December, the spread of the CS Leveraged Loan Index (assuming three year average life) was 670 basis points, well above the index's historical average spread since 1992 of 444 basis points. The average price of loans in the CS Leveraged Loan Index is approximately 92, with a yield of approximately 7% (assuming three year maturity, Libor of 50 basis points, and credit spread of 670 basis points, as of December 14, 2011). Assuming historical recovery rates, this spread implies a default rate in the 6-7% range, well above the current 12-month trailing default rate of 0.53% and 2012 forecast level of defaults of 1-2% by firms such as Standard and Poor's, JPMorgan and Credit Suisse.

Loan defaults are expected to remain low, as post the 2008 financial crisis certain companies have made significant progress in strengthening their income statements by cutting operating expenses, and their balance sheets by refinancing near term debt. Such steps have positioned certain companies to better weather a potential economic slowdown versus their financial condition in the prior recession.

Similar to what occurred in 2009, over time we expect the loan market to rebound as investors refocus on fundamentals versus macroeconomic and technical issues. The loan market's attractive valuation, steady income, defensive positioning, and floating rate benefits should help spur market gains.

<u>Conclusion</u>

OCP has over a decade of experience successfully investing in senior loans, and our investment team has an average of 16 years of specialized credit experience. Our alignment of interest remains strong, as Onex Corp. and its affiliates, principals and employees maintain a significant exposure in senior loan strategies, both with and without the use of leverage. We have been strategically utilizing the Fund's normal course issuer bid to purchase units below NAV.

With an essentially flat return on starting NAV since inception including distributions, the Fund largely achieved its objectives of earning the targeted 5% tax-advantaged distribution and preserving capital relative to other risk asset classes. While we are not satisfied with this absolute performance, we believe the Fund performed consistent with its strategy and risk/return objectives given the market's overall volatility. While the Fund's NAV experienced mark-to-market losses, its investments have not experienced any defaults. Looking forward, we are confident the Fund's NAV will benefit from Portfolio holdings repaying fully at par on or before maturity, from bid-ask spreads returning to more normal levels, and investors regaining focus on the asset class's unique and positive attributes.

The senior loan market appears attractive on a historical basis from spread, yield and price perspectives. Based on the Fund's performance in its first year and our positive outlook for the senior loan market, we remain confident in maintaining the current tax-advantaged distribution target of 5%. The fourth quarter estimated distribution of $0.125 was announced on December 13, 2011.

The senior loan strategy remains attractive, unique and relatively difficult for Canadian retail investors to access as a portfolio diversifier. In an environment characterized by high volatility, concerns over European and U.S. growth, and low interest rates, senior loans are particularly appealing for income-oriented investors given their defensive characteristics, floating rate income, and diversification benefits. Over time as economic growth accelerates, the Fund also potentially offers unique protections against rising interest rates and inflation.

We appreciate your confidence and trust in Onex Credit Partners and wish you a healthy and happy holiday season.

Onex Credit Partners, LLC
December 2011

All amounts in Canadian dollars unless otherwise stated. Certain statements constitute forward-looking statements, including, but not limited to, those identified by the expressions "expect", "intend", "will" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts but reflect Onex Credit Partners, LLC's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Although Onex Credit Partners, LLC believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Onex Credit Partners, LLC undertakes no obligation to update publicly or otherwise revise any forward-looking statement or information whether as a result of new information, future events or other such factors which affect this information, except as required by law. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the Fund's continuous disclosure documents (found on SEDAR) before investing. The Fund is not guaranteed, its value changes frequently and past performance may not be repeated. The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust. Through a forward agreement, the return of the Fund is dependent on the return of the Portfolio. Performance figures for the Fund are based on Canadian generally accepted accounting principles and were based on audited financial statements through December 31, 2010 and unaudited monthly estimates thereafter. Performance figures for the Fund include distributions paid during the relevant period and are calculated net of expenses and fees. Returns for the Fund may diverge from the returns for the Portfolio for several reasons including the incurrence of expenses and payment of distributions by the Fund.