

OCP CREDIT TRUST

Interim Financial Statements for the period
January 1, 2012 to June 30, 2012

NOTICE TO READER:

These interim financial statements and related notes for the six-month period ended June 30, 2012 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

OCP CREDIT TRUST

STATEMENTS OF NET ASSETS (Unaudited)

As at

	June 30, 2012 \$	December 31, 2011 \$
ASSETS		
Unrealized gain on total return swap <i>[note 3]</i>	142,137	-
Unrealized gain on forward contracts <i>[note 4]</i>	2,258,192	5,675,565
Investments	173,561,056	195,872,731
Cash	17,922,057	6,335,678
Cash on deposit with broker as collateral <i>[note 3]</i>	118,515,996	98,980,657
Receivable for investments sold	8,432,249	34,706
Accrued interest	3,511,248	3,994,065
	324,342,935	310,893,402
LIABILITIES		
Unrealized loss on total return swap <i>[note 3]</i>	-	5,966,032
Accounts payable and accrued liabilities	531,303	733,449
Distribution payable	5,500,000	-
Interest payable	261,000	328,590
Payable for investments purchased	20,436,705	-
	26,729,008	7,028,071
Net Assets	297,613,927	303,865,331
Number of units outstanding <i>[note 8]</i>	34,121,864	34,121,864
Net assets per unit	\$8.72	\$8.91

See accompanying notes.

OCP CREDIT TRUST

STATEMENTS OF OPERATIONS (Unaudited)

For the six months ended June 30

	2012 \$	2011 \$
INVESTMENT INCOME		
Interest	12,949,682	12,138,726
EXPENSES		
Interest expense	1,547,885	1,562,998
Management fees <i>[note 7]</i>	1,551,602	1,615,622
Harmonized Sales Tax	207,590	214,886
Other administration costs	60,101	-
Custodian and valuation fees	45,218	27,144
Legal and research fees	39,563	34,081
Audit fees	11,864	9,349
Independent Review Committee fees	5,595	4,299
Trustee fees	4,475	3,763
Securityholder reporting costs	2,550	614
	3,476,443	3,472,756
Net investment income	9,473,239	8,665,970
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Net foreign exchange gain	1,979,838	655,221
Net realized gain on sale of investments <i>[note 9]</i>	4,884,858	402,685
Net realized gain on total return swap	279,137	365,114
Net change in unrealized appreciation (depreciation) of investments	3,138,431	(2,997,509)
Net change in unrealized appreciation of derivatives	2,690,796	2,949,733
Net gain on investments	12,973,060	1,375,244
Increase in net assets from operations	22,446,299	10,041,214
Increase in net assets from operations per unit	\$0.66	\$0.29

See accompanying notes.

OCP CREDIT TRUST**STATEMENTS OF CHANGES IN NET ASSETS** (Unaudited)

For the six months ended June 30

	2012 \$	2011 \$
Increase in net assets from operations	22,446,299	10,041,214
Distributions to unitholders <i>[note 6]</i>		
From net investment income	(22,446,299)	(8,665,970)
Capital gain	-	(1,375,244)
Return of capital	(6,251,404)	(2,008,786)
	(28,697,703)	(12,050,000)
Decrease in net assets for the period	(6,251,404)	(2,008,786)
Net assets, beginning of period	303,865,331	321,996,561
Net assets, end of period	297,613,927	319,987,775

See accompanying notes.

OCP CREDIT TRUST

SCHEDULE OF INVESTMENTS (Unaudited)

As at June 30, 2012

Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
BONDS					
5,598,078	ACST Pass Through Trust Floating Rate	June 14, 2037	4,875,520	5,019,164	
Total Bonds			4,875,520	5,019,164	2.89%
BANK DEBT					
19,000,000	Apollo Management Holdings, L.P., Term Loan	January 03, 2017	17,519,243	17,615,894	
4,330,000	Arch Coal, Inc., Term Loan	May 16, 2018	4,295,721	4,321,018	
1,934,681	Avaya, Inc., Extended Term Loan	October 26, 2017	1,774,406	1,738,441	
688,181	Avaya, Inc., Non-Extended Term Loan	October 26, 2017	662,496	659,323	
3,159,625	Aveta Inc., Term Loan	April 13, 2015	3,066,078	3,200,402	
5,269,485	Brock Holdings III, Inc., Term Loan	March 16, 2017	5,129,845	5,362,097	
498,750	Catalent Pharma Solution Inc., Term Loan	September 15, 2017	490,551	507,516	
1,567,986	Commscope Inc., Term Loan	January 14, 2018	1,572,624	1,588,554	
5,440,000	Crown Media Holdings Inc., Term Loan	July 08, 2018	5,184,693	5,500,968	
1,943,677	Cumulus Media Holdings Inc., Term Loan	September 01, 2018	1,854,207	1,973,382	
4,417,873	Dynegy Midwest Generation, LLC, Term Loan	July 29, 2016	4,527,139	4,591,167	
1,161,276	Eastman Kodak Company, Term Loan	July 20, 2013	1,137,039	1,177,249	
15,134,574	Federal Mogul Corporation, Term Loan	December 27, 2014	14,282,920	14,655,279	
10,000,000	First Data Corporation, Term Loan B-2	September 24, 2014	9,051,162	9,757,066	
40,000	First Data Corporation, Term Loan B-3	September 24, 2014	38,045	39,028	
2,980,000	Granite Broadcasting Corporation, Term Loan	May 23, 2018	2,985,113	2,990,627	
4,207,115	Houghton International Inc., Term Loan	January 31, 2016	5,742,855	5,457,862	
3,803,000	Houghton Mifflin Harcourt Publishing Company, Term Loan	June 22, 2018	3,913,553	3,845,622	
10,400,000	Level 3 Financing Inc., Term Loan	March 13, 2014	9,840,799	10,370,861	
2,494,000	Level 3 Financing Inc., Term Loan B-2	September 01, 2018	2,379,198	2,532,539	
7,946,736	MetroPCS Wireless Inc., Term Loan	March 17, 2018	7,674,595	7,892,659	
1,851,560	PL Propylene (Petrologistics), Term Loan	March 27, 2017	1,811,811	1,900,607	
103,305	Realogy Corporation, Non-Entended Synthic Commitment	January 10, 2013	99,302	99,375	
5,590,344	Realogy Corporation, Extended Term Loan	October 10, 2016	5,335,692	5,353,972	
12,497,262	Select Medical Corporation, Term Loan	May 11, 2018	12,027,111	12,329,609	
2,673,202	Spectrum Brands Inc., Term Loan	June 16, 2016	2,671,092	2,723,589	

OCP CREDIT TRUST

SCHEDULE OF INVESTMENTS (Unaudited) continued

As at June 30, 2012

Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
9,439,389	Springleaf Financial Funding Company, Term Loan	May 10, 2017	9,188,905	9,038,549	
3,274,406	Trinseo Materials Operating S.C.A. (f/k/a Styron S.A.R.L.), Term Loan	August 02, 2017	3,249,611	3,122,056	
6,494,000	Texas Competitive Electric Holdings Company, Non-Extending Term Loan	October 10, 2014	4,773,065	4,141,266	
2,487,765	TI Group Automotive Systems LLC, Term Loan	March 14, 2018	2,387,939	2,456,505	
1,243,082	Travelport LLC, Extended Term Loan	August 23, 2015	1,126,550	1,157,049	
6,896,104	U.S. Foodservice Inc., Term Loan	June 29, 2014	6,350,491	6,781,930	
5,102,165	Veyance Technologies Inc., Term Loan	July 31, 2014	4,855,969	5,032,636	
8,453,500	Zayo Group LLC, Term Loan	July 02, 2019	8,488,232	8,627,195	
Total Bank Debt			165,488,052	168,541,892	97.11%
Total Investments			170,363,572	173,561,056	100.00%

OCP CREDIT TRUST

SCHEDULE OF TOTAL RETURN SWAP (Unaudited)

As at June 30, 2012

Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
BONDS				
802,000	Atkore International Inc., 9.875%	January 01, 2018	829,201	777,940
776,000	Avaya, Inc., 7.00%	April 01, 2019	715,860	719,740
3,500,000	Ceva Group PLC, 8.375%	December 01, 2017	3,544,722	3,395,000
1,062,000	CityCenter Holdings, LLC, 7.625%	January 15, 2016	1,062,000	1,120,410
4,000,000	NAI Entertainment Holdings LLC, 8.25%	December 15, 2017	4,149,500	4,420,000
3,557,000	Prospect Medical Holdings, Inc., 8.375%	May 01, 2019	3,551,665	3,494,753
Total Bonds			13,852,948	13,927,843
BANK DEBT				
4,173,555	Alon USA Energy, Inc., Term Loan	August 02, 2013	4,017,046	4,006,612
3,356,201	Altegrity Inc. (f/k/a U.S. Investigation Services Inc.), Term Loan D	February 21, 2015	3,317,035	3,289,077
5,050,471	Altegrity Inc. (f/k/a U.S. Investigation Services Inc.), Term Loan B	February 21, 2015	4,843,973	4,760,069
4,780,519	Ascend Performance Materials, LLC, Term Loan	April 10, 2018	4,637,103	4,643,079
7,456,008	Ascend Learning, LLC, Term Loan	May 23, 2017	7,306,888	7,353,488
8,733,125	Aveta Inc., Term Loan	April 13, 2015	8,471,131	8,682,185
11,254,290	AWAS Finance, Term Loan	June 10, 2016	11,648,774	11,050,306
6,475,000	Boyd Gaming Corporation, Term Loan	December 17, 2015	6,166,281	6,377,875
1,858,000	Brand Energy & Infrastructure Services, Inc., Term Loan	February 07, 2014	1,733,514	1,736,069
13,015,783	Brickman Group Holdings, Term Loan	October 14, 2016	13,233,762	13,015,783
7,864,625	Caesars Entertainment Operating Co Inc. (formerly known as Harrah's Operating Company Inc.), Term Loan B3	January 28, 2015	7,126,088	7,291,632
4,911,839	Caesars Entertainment Operating Co Inc. (formerly known as Harrah's Operating Company Inc.), Term Loan B4	October 31, 2016	5,102,172	4,959,729
10,000,000	Caesars Linq, LLC / Caesars Octavius, LLC, Term Loan	April 25, 2017	9,900,000	9,758,330
5,185,473	Ceva Group PLC (f/k/a Louis No. 1 PLC/TNT Logistics), Term Loan	August 31, 2016	4,913,235	4,870,025
1,722,218	Commscope Inc., Term Loan	January 14, 2018	1,713,607	1,712,530
3,544,190	Crown Castle Operating Company, Term Loan	January 31, 2019	3,475,752	3,482,167
7,460,377	Cumulus Media Holdings Inc., Term Loan	September 01, 2018	7,385,774	7,434,266
2,503,940	Delta Air Lines, Inc., Term Loan	March 07, 2016	2,491,420	2,422,561
4,342,118	DS Waters of America Inc., Term Loan	July 30, 2017	4,321,232	4,266,130
6,578,290	Dynegy Power, LLC, Term Loan	July 29, 2016	6,709,826	6,757,364
2,165,000	EP Energy, LLC, Term Loan	May 24, 2018	2,182,970	2,180,696

OCP CREDIT TRUST

SCHEDULE OF TOTAL RETURN SWAP (Unaudited) continued

As at June 30, 2012

Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
3,928,021	Federal Mogul Corporation, Term Loan	December 29, 2014	3,554,859	3,733,257
2,327,711	First Data Corporation, Term Loan B-1	September 24, 2014	2,109,488	2,228,492
4,655,422	First Data Corporation, Term Loan B-2	September 24, 2014	4,218,976	4,458,293
1,013,989	FIG LLC, Term Loan	September 30, 2015	1,026,664	1,008,919
9,767,964	Guitar Center Inc., Term Loan	April 09, 2017	9,051,347	9,112,700
4,193,500	HD Supply Inc., Term Loan	October 12, 2017	4,205,745	4,197,693
3,529,355	Houghton International Inc., Term Loan	January 29, 2016	3,511,708	3,529,355
4,069,800	Ineos US Finance, LLC, Term Loan	May 04, 2018	3,977,578	3,976,194
8,750,000	Intelsat Jackson Holdings S.A., Term Loan	February 01, 2014	8,343,750	8,518,125
11,902,275	Intelsat Jackson Holdings S.A., Term Loan	April 02, 2018	11,876,770	11,827,886
2,446,794	Knology Inc., Term Loan	August 18, 2017	2,446,794	2,439,148
4,900,000	Lawson Software Inc., Term Loan	July 05, 2017	4,851,000	4,915,900
10,000,000	Level 3 Financing Inc., Term Loan	March 13, 2014	9,343,750	9,787,500
3,950,000	Nortek, Inc., Term Loan	April 26, 2017	3,900,625	3,945,063
4,736,865	Novelis Corporation, Term Loan	March 10, 2017	4,689,496	4,642,128
12,072,857	Radio One Inc., Term Loan	March 31, 2016	11,865,325	11,831,400
5,606,098	Remy International Inc., Term Loan	December 16, 2016	5,613,105	5,606,098
4,946,969	Ship Luxco, Term Loan	October 15, 2017	4,990,255	4,925,326
13,068,000	Springleaf Financial Funding Company, Term Loan	May 10, 2017	12,904,980	12,281,581
5,880,000	SRA International Inc., Term Loan	July 15, 2018	5,762,400	5,677,875
6,879,098	Tervita Corporation (formerly known as CCS Inc.), Term Loan	November 14, 2014	6,198,559	6,645,209
1,789,920	Texas Competitive Electric Holdings Company, Non-Extending Term Loan	October 10, 2014	1,424,105	1,120,327
962,679	The ServiceMaster Company, Term Loan	July 24, 2014	913,342	949,443
2,487,765	TI Group Automotive Systems LLC, Term Loan	March 14, 2018	2,413,132	2,411,060
2,561,756	Trinseo Materials Operating S.C.A. (f/k/a Styron S.A.R.L.), Term Loan	August 02, 2017	2,384,693	2,397,376
5,854,400	U.S. Foodservice, Inc., Term Loan	June 29, 2014	5,499,227	5,650,959
3,062,325	Wabash National Corporation, Term Loan	May 08, 2019	3,035,530	3,016,390
3,309,078	Willbros United States Holdings Inc., Term Loan	June 30, 2014	3,296,669	3,288,397
Total Bank Debt			264,107,455	264,172,067
Total Bonds and Bank Debt			277,960,403	278,099,910
Unrealized gain on total return swap (US\$)				139,507
Unrealized gain on total return swap (C\$)				142,137

See accompanying notes.

OCP CREDIT TRUST

NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2012

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. For bonds and bank debt, fair market value means the bid 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 (depreciation) 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 gain". Unrealized gains and losses on derivatives are included in the Statements of Operations under "Net change in unrealized appreciation 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.

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 investment transactions, realized gain or loss on forward contracts and unrealized foreign currency gains and losses on other net assets are included in the Statements of Operations in "Net foreign exchange gain". Unrealized foreign currency gains and losses on investments and derivatives are included in the Statements of Operations in "Net change in unrealized appreciation (depreciation) of investments" and "Net change in unrealized appreciation 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 June 30, 2012 and December 31, 2011, there is no difference between net asset value for pricing purposes and net assets for financial reporting purposes.

OCP CREDIT TRUST

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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

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, thirty calendar days following 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 \$118,515,996 (December 31, 2011 – \$98,980,657) 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 June 30, 2012:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	287,000,000	CDN	294,819,315	0.9735	July 19, 2012	2,287,539
EUR	4,239,000	CDN	5,447,751	0.7781	July 31, 2012	(29,347)
						2,258,192

OCP CREDIT TRUST

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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

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

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, distribution payable, payable for investments purchased 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 June 30, 2012

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial Assets				
Bonds	-	5,019,164	-	5,019,164
Bank debt	-	168,541,892	-	168,541,892
Forward contracts	-	2,258,192	-	2,258,192
Total return swap	-	142,137	-	142,137
	-	175,961,385	-	175,961,385

OCP CREDIT TRUST

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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
Financial Liabilities				
Total return swap	-	5,966,032	-	5,966,032
	-	5,966,032	-	5,966,032

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. There were no changes in the number of units outstanding for the periods ended June 30, 2011 and 2012.

9. 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 (2011 - 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.

OCP CREDIT TRUST

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

The maximum exposure to any one debt issuer as of June 30, 2012 was \$22,875,415 (December 31, 2011 – \$22,277,443) representing 7.69% (December 31, 2011 – 7.33%) of the net assets of the Fund.

As at June 30, 2012 and December 31, 2011 direct exposure to debt securities by credit rating is as follows:

Credit rating	As a % of net assets	
	2012	2011
A	1.69	1.67
BBB	4.13	9.72
BB	31.59	32.00
B	96.65	92.31
CCC	9.02	1.93
Not rated *	10.44	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, distribution payable, payable for investments purchased and interest payable. These financial liabilities are all current and due within 12 months. The Fund has sufficient cash and other current assets 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 periods ended June 30, 2012 and 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.

10. 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 9 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 9 while maintaining sufficient liquidity to meet unitholder redemptions.

11. 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.

NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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.

12. 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.

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