

## **OCP SENIOR CREDIT FUND**

Interim Management Report of Fund Performance for the period  
**January 1, 2012 to June 30, 2012**

**Fund:**

OCP Senior Credit Fund

**Units:**

Listed TSX: OSL.UN

**Period:**

January 1, 2012 to June 30, 2012

**Manager:**

Onex Credit Partners, LLC

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**Notes:**

1. This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete Interim Financial Statements of the Fund. You can get a copy of the Interim Financial Statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at [www.sedar.com](http://www.sedar.com). Securityholders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at June 30, 2012.
4. None of the websites that are referred to in this Interim Management Report of Fund Performance, nor any of the information on any such websites, are incorporated by reference in this Interim Management Report of Fund Performance.

## Investment Objectives and Strategies

The Fund provides exposure, by virtue of a forward agreement (the "Forward Agreement"), to the performance of an actively managed, diversified portfolio (the "Portfolio") held in OCP Credit Trust comprised of senior secured loans and other senior debt obligations of non-investment grade North American issuers. Onex Credit Partners, LLC (the "Manager") is the manager of the Fund and also manages the Portfolio. The Fund, through exposure to the Portfolio, seeks to achieve the following investment objectives: to provide securityholders tax-advantaged distributions currently targeted to be \$0.125 per quarter (\$0.50 per year to yield 5% per year based on the \$10.00 subscription price), to preserve capital and to generate enhanced return through increasing cash flow to the Portfolio as interest rates rise. The Manager seeks to generate attractive risk-adjusted returns and stable income through a long only strategy focused on senior secured loans and other senior debt obligations of non-investment grade issuers that the Manager believes have strong market positions, attractive and sustainable business models and high quality management teams. In pursuit of its objectives, OCP Credit Trust anticipates it will employ leverage up to 40% of its total assets.

## Results of Operations

The Fund's net assets were \$298.7 million as at June 30, 2012, a decrease from \$304.4 million as at December 31, 2011. Factors contributing to this change include (i) redemptions of \$17.0 million; (ii) distributions of \$8.2 million; (iii) net investment loss of \$1.6 million; and (iv) units purchased for cancellation of \$0.8 million. This was partially offset by an increase of \$20.3 million in the unrealized value of the Forward Agreement and realized gains of \$2.2 million on the partial settlements of the Forward Agreement.

There are no significant changes in investment income and operating expenses as compared to the prior period.

As at June 30, 2012, net assets per unit of the Fund was \$9.32 after distributions to securityholders of \$0.25 per unit compared to \$8.97 on December 31, 2011. For the six month period ended June 30, 2012, total return for the Fund (inclusive of distributions) was 6.7%. The return of the Fund is, by virtue of the Forward Agreement, based on the return of OCP Credit Trust, which, in turn, is based on the performance of the Portfolio.

The following Manager's Commentary relates to the Fund's exposure to the performance of the Portfolio held in OCP Credit Trust.

During the first half of 2012, the Fund's return was driven primarily by interest income. Some of the largest contributors to its performance included holdings in the senior secured loans of Springleaf Financial Funding Company, Caesar's Entertainment Operating Co Inc., Styron S.A.R.L., First Data Corporation and Radio One Inc.

Beyond normal changes due to the Portfolio's active management, there were no material changes in asset mix. The Portfolio's invested level averaged 147% of total net assets in the period, in line with its invested level of 148% as of December 2011. This invested level is consistent with the Fund's investment strategy.

The composition and changes to the composition of the Portfolio in the period were consistent with the investment objectives and strategy of the Fund. Portfolio capital was deployed primarily in floating rate, senior loan positions that are typically larger and more actively traded than the average loan and were selected for their strong asset coverage and cash flow coverage. The Portfolio had a modest allocation to secured corporate bonds.

## Recent Developments

Global macroeconomic concerns continue to dominate financial headlines and weigh on investor sentiment. The Manager expects these issues will continue to draw attention for some time with markets intermittently focusing on the latest developments resulting in periods of higher volatility. That said, the Manager believes it manages the Fund's overall risk level well by maintaining exposure to larger and more actively traded senior secured loans. The Manager believes the underpinnings of the loan market remain intact including continued U.S. economic growth (albeit modest), the improved financial position of certain companies since the 2008 financial crisis, and a below average default rate. The Manager remains mindful of the significant and persistent macroeconomic risks in Europe and the U.S. and the potential negative longer term consequences of the U.S. Federal Reserve's monetary stimulus policies.

### **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 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 OCP Credit 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.

## Related Party Transactions

The Manager and the Fund are deemed to be related parties. Please refer to the section titled "Management Fees", which outlines the fees paid to the Manager. The Manager and the Fund were not party to any other related party transactions during the period ended June 30, 2012.

# Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception.

## THE FUND'S NET ASSETS PER UNIT <sup>(1)</sup>

	For the six months ended June 30	For the period ended December 31	
	2012	2011	2010 <sup>(2)</sup>
<b>Net Assets, beginning of period <sup>(3)</sup></b>	<b>\$8.97</b>	\$9.48	\$9.45
<b>Increase (decrease) from operations:</b>			
Total revenue	<b>0.00</b>	0.00	0.00
Total expenses	<b>(0.05)</b>	(0.10)	(0.01)
Realized gains (losses) for the period	<b>0.05</b>	(0.01)	0.00
Unrealized gains (losses) for the period	<b>0.61</b>	0.15	0.04
<b>Total increase (decrease) from operations <sup>(4)</sup></b>	<b>0.61</b>	0.04	0.03
<b>Distributions:</b>			
From income (excluding dividends)	<b>0.00</b>	0.00	0.00
From dividends	<b>0.00</b>	0.00	0.00
From capital gains	<b>0.00</b>	0.00	0.00
Return of capital	<b>(0.25)</b>	(0.56)	0.00
<b>Total Distributions <sup>(5)</sup></b>	<b>(0.25)</b>	(0.56)	0.00
<b>Net Assets, end of period <sup>(6)</sup></b>	<b>\$9.32</b>	\$8.97	\$9.48

### Notes:

- <sup>(1)</sup> This information is derived from the Fund's audited annual and unaudited interim financial statements.
- <sup>(2)</sup> Results for the period from November 19, 2010 (inception date) to December 31, 2010.
- <sup>(3)</sup> For 2010, the net assets per unit reflects the issue price of \$10.00 less share issue expenses.
- <sup>(4)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- <sup>(5)</sup> Distributions were paid in cash.
- <sup>(6)</sup> This is not a reconciliation of the beginning and ending net assets per unit.

## RATIOS AND SUPPLEMENTAL DATA

	2012	2011	2010
Total Net Asset Value (000s) <sup>(1)</sup>	<b>\$298,676</b>	\$304,363	\$323,215
Number of units outstanding <sup>(1)</sup>	<b>32,032,869</b>	33,945,000	34,100,000
Management expense ratio <sup>(2)</sup>	<b>3.27%</b>	3.40%	8.25%
Management expense ratio before waivers or absorptions	<b>3.27%</b>	3.40%	8.25%
Trading expense ratio <sup>(3)</sup>	<b>0.27%</b>	0.27%	0.27%
Portfolio turnover rate <sup>(4)</sup>	<b>N/A</b>	N/A	N/A
Net Asset Value per unit	<b>\$9.32</b>	\$8.97	\$9.48
Closing market price	<b>\$9.01</b>	\$8.71	\$9.97

### Notes:

- <sup>(1)</sup> This information is provided as at December 31 of the year shown, except 2012 which is provided as of June 30.
- <sup>(2)</sup> Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and, except as stated in the following sentence, is expressed as an annualized percentage of daily average net asset value during the period. The MER for the periods ended December 31, 2011 and December 31, 2010, include agents' fees and other offering expenses, which are one-time expenses and therefore are not annualized. Total expenses also include interest expense related to the leverage employed by OCP Credit Trust. The MER for the periods ended June 30, 2012, December 31, 2011 and December 31, 2010, excluding agents' fees and offering expenses and interest expense are 2.28%, 2.30% and 2.29%, respectively.
- <sup>(3)</sup> The trading expense ratio represents total commissions, forward agreement fees and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- <sup>(4)</sup> The Fund's return is linked, by virtue of a forward agreement, to the performance of a portfolio comprised primarily of senior secured loans and other senior debt obligations of non-investment grade North American issuers and, consequently, the portfolio turnover rate does not apply to the Fund.

## Management Fees

The Manager is responsible for providing or arranging for all investment advisory and portfolio management services required by the Fund including, without limitation, managing the Portfolio in a manner consistent with the investment objectives, guidelines and restrictions of the Fund and for arranging for the execution of all portfolio transactions. The Manager is also responsible for the operational and administrative functions of the Fund. As compensation for the management services rendered to the Fund, the Manager is entitled to receive an annual management fee from the Fund in an amount equal to 0.50% of the net asset value of the Fund, which is calculated daily and paid monthly in arrears.

The Manager also receives an annual management fee in an amount equal to 1.00% of the net asset value of OCP Credit Trust, which is calculated daily and paid monthly in arrears.

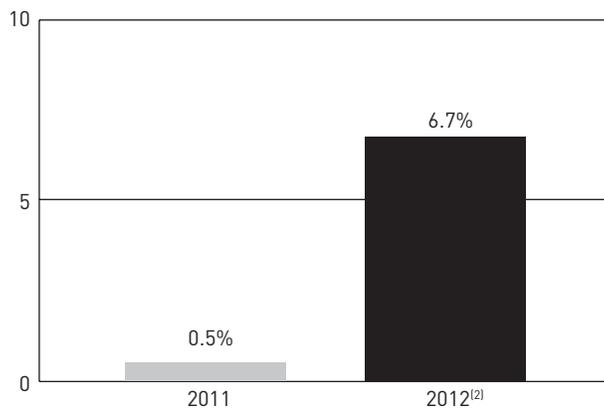
The Manager has retained FA Administration Services Inc. to provide certain administrative services to the Fund. The Manager pays FA Administration Services Inc. out of its management fee.

## Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Also note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

### YEAR-BY-YEAR RETURNS<sup>(1)</sup>

The following bar chart shows the Fund's annual performance for the periods shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



<sup>(1)</sup> Returns are based on Net Asset Value per unit.

<sup>(2)</sup> Return for the period January 1, 2012 to June 30, 2012.

## Summary of Investment Portfolio

The Fund has entered into a forward agreement whereby the Fund obtains exposure to the performance of the Portfolio. Accordingly, these financial statements should be read in conjunction with the financial statements of OCP Credit Trust. The Interim Management Report of Fund Performance and Interim Financial Statements for OCP Credit Trust are available to securityholders and can be attained by visiting our website at [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com) or by writing to Onex Credit Partners, LLC, 910 Sylvan Avenue, Englewood Cliffs, New Jersey U.S.A. 07632, or on SEDAR at [www.sedar.com](http://www.sedar.com).

As at June 30, 2012, one of the portfolio holdings in OCP Credit Trust is a total return swap. The following is a summary of OCP Credit Trust's portfolio as at June 30, 2012 assuming that the underlying assets of the total return swap were held directly by OCP Credit Trust. This is a summary only and will change due to ongoing portfolio transactions in OCP Credit Trust. A quarterly update will be available on [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com).

The percentages set forth in this Summary of Investment Portfolio may vary from the percentages set forth in the monthly updates prepared by the Fund. Chief among the reasons for the variance is that (i) the sector allocation in the summary is based on a percentage of net asset value and the monthly updates are based on a percentage of invested capital (direct investments plus exposure under the total return swap) and (ii) the summary reflects cash held by the Trust and the monthly update reflects only the direct investments held by the Trust plus exposure under the total return swap. Securityholders can obtain additional information by visiting our website at [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com).

## TOP 25 HOLDINGS AS AT JUNE 30, 2012

Description	% of Net Asset Value of OCP Credit Trust
Cash	45.84
Level 3 Financing Inc., Term Loan	7.69
Springleaf Financial Funding Company, Term Loan	7.24
Intelsat Jackson Holdings Limited S.A, Term Loan	6.97
Federal Mogul Corporation, Term Loan	6.20
Apollo Management Holdings, L.P., Term Loan	5.92
First Data Corporation, Term Loan	5.58
Brickman Group Holdings, Term Loan	4.46
U.S. Foodservice Inc., Term Loan	4.21
Caesars Entertainment Operating Co. Inc., Term Loan	4.19
Select Medical Corporation, Term Loan	4.14
Radio One Inc., Term Loan	4.05
Aveta Inc., Term Loan	4.05
Dynegy, Term Loan	3.86
AWAS Finance, Term Loan	3.78
Caesars Linq, LLC / Caesars Octavius, LLC, Term Loan	3.34
Cumulus Media Holdings Inc., Term Loan	3.21
Guitar Center Inc., Term Loan	3.12
Houghton International Inc., Term Loan	3.04
Zayo Group LLC, Term Loan	2.90
Ceva Group PLC, Term Loan and Bond	2.83
Altegrity Inc. (f/k/a U.S. Investigation Services Inc.), Term Loan	2.76
MetroPCS Wireless Inc., Term Loan	2.65
Ascend Learning, LLC, Term Loan	2.52
Tervita Corporation (formerly known as CCS Inc.), Term Loan	2.27
<b>Total Net Asset Value of OCP Credit Trust</b>	<b>\$297,613,927</b>

## SECTOR ALLOCATION AS AT JUNE 30, 2012

Industry	% of Net Asset Value of OCP Credit Trust
Cash	45.84
Telecom	21.39
Finance	13.51
Business Services	13.45
Gaming/Leisure	11.61
Media	11.40
Transportation	10.80
Healthcare	9.56
Chemicals	8.50
Aerospace	6.30
Food	5.67
Independent Power Producers	5.63
Technology	5.46
Housing/Building Products	4.98
Service	4.78
Energy	3.57
Energy Service	3.40
Manufacturing	3.13
Retail	3.12
Education	2.52
Cable/Wireless Video	1.96
Metals/Minerals	1.86
Consumer Non-Durables	0.92

Portfolio Composition	% of Net Asset Value of OCP Credit Trust
Bank Debt	147.07
Cash	45.84
Bonds	6.45

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