

# OCP SENIOR CREDIT FUND

Monthly Update as at May 31, 2013



## Investment Rationale and Objectives

OCP Senior Credit Fund provides Unitholders with exposure to the performance of an actively managed, diversified portfolio comprised primarily of first lien floating rate senior secured loans of non-investment grade North American issuers.

The Fund's objectives are: (i) provide Unitholders with attractive, quarterly, tax-advantaged distributions, currently targeted to be \$0.50 per annum, representing an annual yield of 5% based on the original issue price of \$10.00 per Unit; (ii) preserve capital; and (iii) generate enhanced returns through increasing cash flow to the portfolio as interest rates rise.

## Details

|                                     |                   |
|-------------------------------------|-------------------|
| Date of Inception:                  | November 19, 2010 |
| Issue Price:                        | \$10.00           |
| Opening NAV (November 19, 2010):    | \$9.45            |
| Ticker Symbol:                      | OSL.UN (TSX)      |
| Total Net Assets:                   | \$299,813,842*    |
| NAV per Unit:                       | \$10.14*          |
| Market Price:                       | \$ 10.03*         |
| Latest Distribution: March 31, 2013 | \$0.1250          |
| Distribution Frequency:             | Quarterly         |
| Cash Distributions Since Inception: | \$1.1825          |

\* As at May 31, 2013

## Commentary

Net performance of OCP Senior Credit Fund was 0.43% and 5.28% in May and year-to-date, respectively. Stronger than expected U.S. payroll data drove treasury yields to their highest level in more than a year as investors refocused on the strength of the domestic economy and its implications for the Federal Reserve's monetary policy. The spike in treasury yields resulted in a small loss for the high yield bond index, its first since May 2012. The CS Leveraged Loan Index, CS High Yield Bond Index, and S&P500 returned 0.23%, (0.58%), and 2.34% in the month, respectively.

The majority of the Portfolio's senior secured loan positions contributed to the month's gain, primarily the result of interest income. The Portfolio's position in the senior secured loan of Federal Mogul traded up on the Company's announcement that it intends to launch a \$500 million rights offering in June. Consistent with our investment thesis that Federal Mogul would refinance the loan prior to its 2014 maturity, the Company intends to use part of the offering proceeds to repay a portion of the term loan and to refinance the balance. Carl Icahn, the Company's largest shareholder, has indicated a willingness to oversubscribe for additional shares of the offering if necessary to successfully refinance the term loan.

There continued to be no unanticipated defaults in the Portfolio and we believe its holdings will perform as expected, paying off at par on or before their expected maturities.

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## Five Strongest and Weakest Performers

### Strongest

|                                   |
|-----------------------------------|
| Federal Mogul Senior Secured Loan |
| Ceva Senior Secured Loan          |
| Alon Senior Secured Loan          |
| Aveta Senior Secured Loan         |
| JC Penny Senior Secured Loan      |

### Weakest

|   |
|---|
| Avaya Senior Secured Loan                     |
| Commercial Barge Line Co. Senior Secured Loan |
| First Data Senior Secured Loan                |
| Aircastle Secured Trust Certificate           |
| FMG Resources Senior Secured Loan             |

The chart shows the top five strongest and weakest holdings contributing to the Fund's performance for the month. These holdings do not represent all of the assets held, purchased or sold during the month.

## Industry Exposure\*\*

|                            |                |
|----------------------------|----------------|
| Business Services          | 9.26%          |
| Technology                 | 8.03%          |
| Media                      | 7.84%          |
| Finance                    | 7.72%          |
| Telecom                    | 7.54%          |
| Transportation             | 7.06%          |
| Energy                     | 5.88%          |
| Gaming/Leisure             | 5.86%          |
| Housing/Building Pro       | 5.24%          |
| Healthcare                 | 4.81%          |
| Automobiles                | 4.53%          |
| Trucking                   | 4.28%          |
| Retail                     | 4.16%          |
| Metals/Minerals            | 3.94%          |
| Service                    | 2.83%          |
| Aerospace                  | 2.21%          |
| Chemicals                  | 2.16%          |
| Education                  | 1.53%          |
| Consumer Durables          | 1.11%          |
| Energy Service             | 1.04%          |
| Food                       | 0.92%          |
| Manufacturing              | 0.87%          |
| Consumer Non-Durable       | 0.61%          |
| Independent Power Pr       | 0.56%          |
| <b>Adjusted Exposure**</b> | <b>100.00%</b> |

\*\* Based on invested capital as of the report date, not the target level of invested capital

## Portfolio Composition\*\*\*

|                       |                |
|-----------------------|----------------|
| Bank Debt             | 154.28%        |
| Corporate Bonds       | 11.83%         |
| Government Bonds      | 0.00%          |
| Equity                | 0.00%          |
| Other                 | 0.00%          |
| <b>Total Exposure</b> | <b>166.11%</b> |

\*\*\* The Portfolio refers to the positions held by the underlying fund, OCP Credit Trust.

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 Credit 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, 2012 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.