

OCP SENIOR CREDIT FUND

Annual Financial Statements for the year ended
December 31, 2013

OCP SENIOR CREDIT FUND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

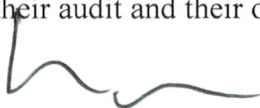
The accompanying financial statements of OCP Senior Credit Fund (the "Fund") are the responsibility of the management of the Fund. They have been prepared in accordance with Canadian generally accepted accounting principles using information available to March 19, 2014 and management's best estimates and judgements.

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 judgements 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 19, 2014



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 19, 2014

INDEPENDENT AUDITORS' REPORT

To the unitholders of:

OCP Senior Credit Fund

We have audited the accompanying financial statements of OCP Senior Credit Fund, which comprise the schedule of forward agreement as at December 31, 2013, the statements of net assets as at December 31, 2013 and December 31, 2012, and the statements of operations and changes in net assets for the years then ended, 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 OCP Senior Credit Fund as at December 31, 2013 and December 31, 2012, and its financial performance and its changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants

Chartered Accountants

March 19, 2014

Toronto, Ontario

OCP SENIOR CREDIT FUND**STATEMENTS OF NET ASSETS**

As at December 31,

	2013 \$	2012 \$
ASSETS		
Forward Agreement <i>[Note 6]</i>	297,778,411	306,902,180
Receivable from counterparty under Forward Agreement	-	7,100,000
Cash	5,899,050	235,049
	303,677,461	314,237,229
LIABILITIES		
Accounts payable and accrued liabilities <i>[Note 5]</i>	955,123	1,015,399
Distributions payable <i>[Note 4]</i>	3,647,062	3,964,059
	4,602,185	4,979,458
Net Assets	299,075,276	309,257,771
Number of units outstanding <i>[Note 7]</i>	29,176,493	31,712,469
Net assets per unit	\$10.25	\$9.75

See accompanying notes.

OCP SENIOR CREDIT FUND

STATEMENTS OF OPERATIONS

For the years ended December 31,

	2013 \$	2012 \$
INVESTMENT INCOME		
Interest	11,291	10,665
EXPENSES		
Management fees <i>[Note 5]</i>	1,529,291	1,552,670
Dealer service fee <i>[Note 5]</i>	1,197,591	1,238,639
Harmonized sales tax	282,653	295,594
Securityholder reporting costs	56,734	75,026
Independent Review Committee fees	47,382	46,874
Custodian and valuation fees	45,225	44,170
Audit fees	21,514	23,526
Legal fees	28,595	13,016
Trustee fees	9,000	9,000
	3,217,985	3,298,515
Net investment loss	(3,206,694)	(3,287,850)
REALIZED AND UNREALIZED GAIN (LOSS) ON FORWARD AGREEMENT AND TRANSACTION COSTS		
Net realized foreign exchange gain (loss)	54	(241)
Net realized gain on partial settlements of Forward Agreement	8,118,353	4,046,019
Transaction costs <i>[Note 2 and 6]</i>	(838,385)	(859,318)
Net change in unrealized appreciation on Forward Agreement	26,257,864	41,988,533
Net gain on Forward Agreement	33,537,886	45,174,993
Increase in net assets from operations	30,331,192	41,887,143
Increase in net assets from operations per unit	\$1.00	\$1.28

See accompanying notes.

OCP SENIOR CREDIT FUND**STATEMENTS OF CHANGES IN NET ASSETS**

For the years ended December 31,

	2013 \$	2012 \$
Increase in net assets from operations	30,331,192	41,887,143
Distributions to unitholders <i>[Note 4]</i>		
Return of capital	(14,979,131)	(16,178,763)
Capital unit transactions <i>[Note 7]</i>		
Redemption of units	(19,710,269)	(17,019,387)
Units purchased for cancellation	(5,824,287)	(3,794,154)
	(25,534,556)	(20,813,541)
Increase (Decrease) in net assets for the year	(10,182,495)	4,894,839
Net assets, beginning of year	309,257,771	304,362,932
Net assets, end of year	299,075,276	309,257,771

See accompanying notes.

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT

As at December 31, 2013

Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
Investments held by OCP Credit Trust				
TOTAL RETURN SWAP				
BONDS				
7,587,064	ACST Pass Through Trust Floating Rate	June 14, 2037	6,690,296	7,055,969
1,592,000	Avaya Inc., 9.00%	April 01, 2019	1,651,700	1,663,640
3,500,000	Ceva Group PLC, 8.375%	December 01, 2017	3,544,722	3,657,500
375,000	Clear Channel Worldwide Holdings Inc., 6.50%, Series A	November 15, 2022	371,250	380,156
1,013,000	Clear Channel Worldwide Holdings Inc., 6.50%, Series B	November 15, 2022	1,013,000	1,034,526
4,900,000	First Data Corporation, 6.75%	November 01, 2020	4,936,750	5,096,000
8,256,000	Harbinger Group Inc., 7.875%	July 15, 2019	8,232,318	8,864,880
700,000	K Hovnanian Enterprises, 7.25%	October 15, 2020	700,000	751,625
4,251,000	Prospect Medical Holding, Inc., 8.375%	May 01, 2019	4,259,545	4,559,198
Total Bonds			31,399,581	33,063,494
BANK DEBT				
12,449,486	Air Distribution Technologies, Inc., Term Loan	November 09, 2018	12,449,486	12,496,171
10,871,135	Alon USA Partners, LP, Term Loan B	November 26, 2018	11,299,186	11,088,558
4,992,135	Altegrity, Inc., Term Loan B	February 21, 2015	4,788,022	4,890,735
3,317,435	Altegrity, Inc., Term Loan D	February 21, 2015	3,278,721	3,295,318
6,988,642	Arch Coal Inc., Term Loan	May 16, 2018	7,048,046	6,885,560
7,324,852	Ascend Learning, LLC, Term Loan	July 31, 2019	7,178,355	7,318,750
2,582,756	Avaya Inc., Term Loan B-3	October 26, 2017	2,437,863	2,516,573
5,377,055	Avaya Inc., Term Loan B-5	March 31, 2018	5,262,338	5,437,547
6,367,476	Aveta Inc., Term Loan	December 12, 2017	6,415,232	6,383,394
12,044,000	Brand Energy & Infrastructure Services, Inc., Term Loan	November 26, 2020	11,983,780	12,080,566
4,836,272	Caesars Entertainment Operating Co Inc., Term Loan B4	October 31, 2016	5,023,677	4,868,515
758,260	Ceva (TNT) Logistics BV Dollar	August 31, 2016	718,452	729,826
4,427,212	Ceva Group PLC, Term Loan	August 31, 2016	4,194,784	4,261,192
2,661,000	CityCenter Holdings, LLC, Term Loan B	October 16, 2020	2,634,390	2,697,094
7,574,760	Commercial Barge Line Company, Term Loan	September 22, 2019	7,646,720	7,489,544
6,896,483	Dell International Inc., Term Loan B	April 29, 2020	6,827,518	6,903,669
4,194,900	Essar Steel Algoma Inc., Term Loan	September 19, 2014	4,228,983	4,215,875
996,852	Federal Mogul Corporation, Term Loan B	December 29, 2014	948,381	980,237
586,640	Federal Mogul Corporation, Term Loan C	December 28, 2015	558,116	576,863
6,370,000	First Data Corporation, 2018B Term Loan	September 24, 2018	6,284,005	6,374,421
5,606,179	Fortescue Metals Group Limited, Term Loan	June 28, 2019	5,592,164	5,680,927
6,520,725	Freescale Semiconductor Inc., Term Loan B-4	February 28, 2020	6,606,994	6,585,932
5,759,906	Guitar Center Inc., Term Loan	April 09, 2017	5,337,337	5,587,109
4,130,598	HD Supply Inc., Term Loan B	October 12, 2017	4,142,659	4,162,568
11,555,230	Houghton Mifflin Harcourt Publishing Company, Term Loan B	May 22, 2018	11,656,916	11,605,784

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
4,013,823	Ineos US Finance, LLC, Term Loan	May 04, 2018	3,922,870	4,022,606
4,401,339	Infor (US) Inc., (Lawson), Term Loan B – 2	April 05, 2018	4,357,326	4,395,837
5,000,000	Level 3 Financing Inc., Term Loan B-III 2019	August 01, 2019	5,012,500	5,025,000
4,174,223	McGraw-Hill Global Education Holdings, LLC, Term Loan B	March 22, 2019	4,195,094	4,248,315
1,062,929	Nortek Inc., Term Loan	April 26, 2017	1,049,642	1,064,257
4,157,583	Phoenix (Metal Services), Term Loan	June 30, 2017	4,157,582	4,178,370
11,889,472	Radio One Inc., Term Loan	March 31, 2016	11,685,092	12,175,568
5,171,842	Serta Simmons Holdings LLC, Term Loan B	October 01, 2019	5,178,307	5,197,660
474,120	The ServiceMaster Company, Term Loan B	January 31, 2017	449,821	468,884
11,678,000	SRA International Inc., Term Loan B	July 20, 2018	11,413,840	11,532,025
10,334,903	Stations Casino Inc., Term Loan B	March 02, 2020	10,466,156	10,438,252
4,965,050	STG-Fairway Acquisitions Inc., Term Loan	February 28, 2019	4,955,765	4,955,740
8,708,000	US Airways Group Inc., Term Loan B1	May 23, 2019	8,702,557	8,762,425
4,873,769	Wabash National Corporation, Term Loan B-1	May 08, 2019	4,881,555	4,895,091
8,326,720	Zayo Group LLC, Term Loan B	July 02, 2019	8,326,720	8,328,211
Total Bank Debt			233,296,952	234,800,969
Total Bonds and Bank Debt			264,696,533	267,864,463
Unrealized gain on total return swap (US\$)				3,167,930
Unrealized gain on total return swap (C\$)				3,368,634

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$
OTHER INVESTMENTS				
BANK DEBT				
2,331,000	Air Canada, Term Loan	September 26, 2019	2,373,921	2,514,311
2,040,745	Albertsons, LLC, Term Loan B-2	March 21, 2019	2,088,410	2,180,181
2,190,870	Alcatel-Lucent, Term Loan C	January 30, 2019	2,232,231	2,338,893
1,445,581	Altegrity Inc., Term Loan B	February 21, 2015	1,433,831	1,505,943
4,180,990	American Airlines Inc., Term Loan B	June 27, 2019	4,279,703	4,479,219
2,809,958	Appvion Inc., Term Loan	June 28, 2019	2,925,131	3,002,921
2,566,342	Arch Coal, Inc., Term Loan	May 16, 2018	2,631,106	2,688,680
1,718,000	Azure Midstream Holdings, Term Loan B	November 15, 2018	1,776,582	1,842,828
4,586,000	Caesars Entertainment Operating Co Inc., Term Loan B6	January 28, 2018	4,366,728	4,647,957
11,344,000	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	11,907,976	11,972,225
862,059	Cenveo Corporation, Term Loan B	February 13, 2017	874,086	921,258
3,245,475	Commercial Barge Line Company, Term Loan B	September 22, 2019	3,341,870	3,412,266
2,339,323	Doncasters US Finance, LLC, Term Loan B	April 09, 2020	2,360,038	2,517,069
7,180,154	Eastman Kodak Company, Term Loan	September 03, 2019	7,298,609	7,625,507
2,972,065	Exco Resources, Inc., Term Loan B	August 19, 2019	3,043,857	3,172,211
4,771,418	Federal Mogul Corporation, Term Loan B	December 29, 2014	4,517,266	4,989,146
2,807,946	Federal Mogul Corporation, Term Loan C	December 28, 2015	2,658,380	2,936,078
1,685,000	First Data Corporation, 2018B Term Loan	September 24, 2018	1,690,732	1,792,996
5,593,980	Freescale Semiconductor Inc., Term Loan B-5	January 15, 2021	5,753,748	6,011,539
4,053,526	Granite Broadcasting Corporation, Term Loan B	May 23, 2018	4,220,194	4,321,112
2,840,880	HGIM Corporation, Term Loan B	June 18, 2020	2,848,225	3,047,296
2,537,000	Hudson's Bay Company, Term Loan B	November 04, 2020	2,588,749	2,737,822
1,549,392	Ineos US Finance, LLC, Term Loan	May 04, 2018	1,571,195	1,651,158
3,844,945	Ion Media Networks, Inc., Term Loan B	December 18, 2020	4,058,689	4,103,872
5,894,380	J.C. Penny Company, Term Loan B	May 22, 2018	6,028,522	6,113,735
8,482,000	Level 3 Financing Inc., Term Loan B-III 2019	August 01, 2019	8,446,253	9,064,471
2,942,215	Lightower Fiber LLC, Term Loan B	April 13, 2020	2,976,830	3,144,261
3,456,653	McGraw-Hill Global Education Holdings, LLC, Term Loan B	March 22, 2019	3,515,656	3,740,890
2,425,000	Murray Energy Corporation, Term Loan B	December 05, 2019	2,535,438	2,599,586
11,328,394	Navistar International Corporation, Term Loan B	December 02, 2016	10,439,342	11,493,992
9,599,693	Navistar International Corporation, Term Loan	August 17, 2017	9,584,132	10,351,431
851,048	OCI Beaumont LLC, Term Loan B2	August 20, 2019	867,158	914,015
1,993,688	Orbitz Worldwide, Inc., Term Loan C	March 25, 2019	2,139,515	2,127,947
107,660	Realogy Corporation, Extended Synthetic Commitment	October 10, 2016	101,111	114,195
5,419,178	Realogy Corporation, Term Loan B	March 05, 2020	5,174,479	5,814,734
1,867,000	Samson Investment Company, Term Loan	September 25, 2018	1,987,523	1,990,246
4,824,846	Select Medical Corporation, Series C Tranche B Term Loan	June 01, 2018	4,908,087	5,151,901
7,976,000	State Class Tankers II, LLC, Term Loan B	June 20, 2020	8,152,990	8,587,333

OCP SENIOR CREDIT FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$
6,111,479	SuperValu Inc., Term Loan B	March 21, 2019	6,081,083	6,556,885
5,110,383	TI Group Automotive Systems LLC, Term Loan	March 28, 2019	5,165,008	5,461,320
1,015,000	TMS International Corporation, Term Loan B	October 16, 2020	1,040,881	1,082,003
3,536,000	TNS Inc., Term Loan	February 14, 2020	3,503,969	3,782,349
4,852,463	Travelport LLC, Term Loan	June 26, 2019	5,066,299	5,288,887
Total Bank Debt			170,555,533	179,792,669
Total Investments			170,555,533	179,792,669

		Fair Value (C\$)
Other assets and liabilities held in OCP Credit Trust		
	Unrealized gain on total return swap	3,368,634
	Cash	36,194,012
	Cash on deposit with brokers as collateral	94,053,615
	Receivable for investments sold	414,818
	Accrued interest	4,044,277
	Unrealized loss on forward contracts	(931,575)
	Accounts payable and accrued liabilities	(747,095)
	Interest payable	(315,416)
	Payable for investments purchased	(18,095,528)
Forward Agreement		297,778,411

See accompanying notes.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. THE FUND

OCP Senior Credit Fund (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 completed an initial public offering of 30,000,000 units at \$10 per unit and 2,000,000 units at \$10 per unit as a partial exercise of an over-allotment option granted to the agents. On December 9, 2010, the agents further exercised the over-allotment option, subscribing for an additional 2,100,000 units at \$10 per unit. Agents' fees and expenses of issue relating to the initial public offering of units totaled \$18,671,003.

The Fund is designed to provide unitholders with a stable source of tax-advantaged income through exposure to the performance of an actively managed, diversified portfolio (the "Portfolio") comprised of senior secured loans and other senior debt obligations of non-investment grade North American issuers.

In order to meet its investment objective, the Fund used the net proceeds of the offering to pre-pay its obligation to purchase a portfolio of Canadian Securities (the "Canadian Securities Portfolio") under a forward purchase and sale agreement (the "Forward Agreement"), which the Fund entered into with The Bank of Nova Scotia (the "Counterparty"). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 19, 2015 (being the scheduled Forward Termination Date) the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of a corresponding number of units of OCP Credit Trust (the "Trust"), which holds the Portfolio securities, net of any amount owing by the Fund to the Counterparty. As such, the return of the Fund will, by virtue of the Forward Agreement, be based on the return of the Trust, which, in turn, will be based on the performance of the Portfolio.

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 year. Significant estimates include the valuation of the forward agreement. 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.

Forward Agreement

The Forward Agreement is valued at an amount that would be realized if the position was to be closed out in accordance with its terms, in which case fair value shall be based on the net asset value of the Trust. The Forward Agreement is categorized as held for trading and changes in fair value are reflected in the Fund's Statements of Operations under "Net change in unrealized appreciation on Forward Agreement." Trade date accounting is used.

Other assets and liabilities

Net assets, excluding cash and the Forward Agreement, are recorded at amortized cost. Assets, excluding cash and the Forward Agreement, are categorized as loans and receivables. Liabilities are categorized as other financial liabilities.

Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are fees incurred in conjunction with the Fund's Forward Agreement.

Income and expense recognition

The accrual method of recording income and expenses is followed.

Increase in net assets from operations per unit

The increase in net assets from operations per unit in the Statements of Operations represents the increase in net assets from operations during the period, divided by the weighted average number of units outstanding during the year.

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 Financial instruments – recognition and measurement.

Given that the Fund does not invest directly in any investment securities, there is no difference between the Fund's net asset value and the Fund's net assets.

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 unitholders.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash, receivable from counterparty under Forward Agreement, accounts payable and accrued liabilities and distributions payable. There are no significant differences between the carrying value of these financial instruments and their fair value. The Forward Agreement is a financial instrument and is carried at its fair value as described in Note 2 above. Financial instruments recorded at fair value, are 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). The Forward Agreement is considered Level 2.

4. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with tax efficient quarterly distributions consisting of capital gains and returns of capital currently targeted to be \$0.125 per unit (\$0.50 per annum to yield 5.0% on the subscription price of \$10.00 per unit) to unitholders of record on the last business day of each of March, June, September and December.

If, in any year after such distributions, there would otherwise remain in the Fund additional net income or net realized capital gains, the Fund intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net income and net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Income Tax Act (Canada).

5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.50% based on the net asset value of the Fund, as well as an annual fee of 1.00% based on the net asset value of the Trust (total overall management fee of 1.50%). These fees are calculated daily and paid monthly in arrears.

A dealer service fee, which is equal to 0.40% annually of the net asset value of the Fund is payable to dealers whose clients hold units of the Fund. This fee is calculated daily and paid quarterly 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.

6. FORWARD AGREEMENT

The Fund has used the net proceeds of the offering to pre-pay its obligation to purchase the Canadian Securities Portfolio pursuant to a Forward Agreement that it has entered into with the Counterparty, which has a credit rating of A+ according to Standard & Poor's Rating Services ("S&P"). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 19, 2015, being the scheduled Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of a corresponding number of units of OCP Credit Trust, net of any amount owing by the Fund to the Counterparty. The Fund will partially settle the Forward Agreement prior to the Forward Termination Date in order to fund quarterly distributions, redemptions and repurchases of units from time to time, and operating expenses of the Fund. Under the Forward Agreement, the Fund will pay to the counterparty an annual fee as negotiated with the counterparty, of the notional amount of the Forward Agreement (being effectively equal to the net asset value of the Trust), calculated daily and paid quarterly in arrears.

7. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of transferable and redeemable units of one class, each of which is entitled to one vote at all unitholder meetings and represents an equal, undivided interest in the net assets of the Fund.

Commencing in 2012, units may be surrendered annually for redemption during the period from the first business day in March until 5:00pm (Toronto time) on March 15 in each year (the "Notice Period") subject to the Fund's right to suspend redemptions in certain circumstances. Units surrendered for redemption during the Notice Period will be redeemed on the last business day of May of each year (the "Annual Redemption Date") for a redemption price per unit equal to the net asset value per unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

Changes in the number of units outstanding for the years ended December 31 are summarized as follows:

	2013 #	2012 #
Units outstanding, beginning of year	31,712,469	33,945,500
Redemption of units	(1,943,576)	(1,821,331)
Units purchased for cancellation	(592,400)	(411,700)
Units outstanding, end of year	29,176,493	31,712,469

Under a normal course issuer bid, which will expire on July 16, 2014, the Fund has the ability to repurchase units up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, units were repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). During the year ended December 31, 2013, 592,400 units (2012 – 411,700 units) were purchased under this normal course issuer bid at an average price of \$9.83 per unit (2012 – \$9.22).

8. 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 of the Trust 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.

As the Fund obtains exposure to the Portfolio held in the Trust through the Forward Agreement, the following incorporates the risks and risk management applicable to the Fund and the Trust.

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 mitigates such risk by entering into investment transactions with high credit quality financial institutions.

In entering into the Forward Agreement, which is the most significant asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. As at December 31, 2013, the credit exposure is \$297,778,411 (2012 – \$314,002,180) and is represented by the net asset value of the Trust and amounts owing from the Counterparty under the Forward Agreement. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. This risk is managed by dealing with a counterparty that the Manager believes to be creditworthy and through regular monitoring of credit exposures. As at December 31, 2013 and 2012 the Counterparty had a current credit rating of A+ by S&P.

The Fund is also exposed to credit risk of the debt securities it has exposure to via the Forward Agreement, which derives its value based on the performance of the Trust's Portfolio. The Trust has exposure to senior secured loans and other senior debt obligations of non-investment grade issuers, which are held directly or in a total return swap ("TRS Facility"). The fair value of debt securities held directly or in the TRS Facility, includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the Fund. The Trust currently uses only one counterparty for its TRS Facility. Credit risk for the TRS Facility is managed by dealing with a counterparty that had a current credit rating of A+ by S&P as at December 31, 2013 and 2012.

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.

Within the Trust's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2013, was \$21,845,423 (2012 – \$22,241,153) representing 7.34% (2012 – 7.25%) of the net assets of the Trust.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

As at December 31 of the years shown, indirect exposure to debt securities by credit rating is as follows:

Credit rating	As a % of the Trust's net assets	
	2013	2012
A	2.52	2.90
BBB	2.03	3.42
BB	23.66	23.04
B	107.99	104.94
CCC	6.18	7.49
Not rated *	13.66	14.29

* 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 obligations on time or at a reasonable price.

The Forward Agreement may be partially pre-settled at any time. If the Trust is unable to dispose of some or all of the Portfolio upon receipt of a redemption request, the Fund may experience a delay in the receipt of cash on the sale of Canadian Securities Portfolio to be delivered by the Counterparty under the Forward Agreement until such time as the Trust is able to dispose of such securities.

The Fund has financial liabilities outstanding including accounts payable and accrued liabilities and distributions 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.

The Fund is exposed to the performance of the Trust, which invests in debt securities which may bear interest. Consequently, the Fund is exposed to interest rate risk on the Portfolio. Changes in the prevailing levels of market interest rates are 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 is exposed to the performance of the Trust, which 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 years ended December 31, 2013 and 2012, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Trust's foreign exposure is hedged back to the Canadian dollar.

9. 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 Annual Information Form. Restrictions and specific requirements on the redemption of units are described in Note 7. The Statements of Changes in Net Assets and Note 7 outline the relevant changes of the Fund's units for the periods.

The Fund's objectives in managing its capital in respect of the units are to provide unitholders with tax-efficient quarterly distributions consisting of capital gains and returns of capital currently targeted to be \$0.125 per unit (\$0.50 per unit per year to yield 5% per year based on the \$10.00 subscription price), while at the same time to preserve and enhance the net asset value.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 8 while maintaining sufficient liquidity to meet distributions and redemptions.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

10. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, 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 unitholders. 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. If the Fund distributes more than it earns, this excess distribution is a return of capital and is not taxable to unitholders.

As at December 31, 2013, the Fund has accumulated \$16,248,481 non-capital losses, which may be carried forward to reduce future taxable income and expire in the years indicated:

Non-Capital Losses	Expiration of Non-Capital Losses			
	2030	2031	2032	2033
\$16,248,481	\$1,115,376	\$6,879,952	\$5,141,672	\$3,111,481

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Investment companies that are publicly accountable enterprises or investment funds to which National Instrument 81-106 *Investment Fund Continuous Disclosure* is applicable, are required to adopt International Financial Reporting Standards (IFRS) for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning January 1, 2014 and publish its first financial statements, prepared in accordance with IFRS, for the semi-annual period ending June 30, 2014. The 2014 semi-annual and annual financial statements will include 2013 comparative financial information and an opening Statement of Financial Position as at January 1, 2013, also prepared in accordance with IFRS.

The Fund continues to execute its transition plan to complete the changeover to IFRS in 2014 and comply with the required timetable for continuous disclosure. As at December 31, 2013, the impact to the financial statements based on the Fund's assessment of the differences between current Canadian GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The Fund will adopt accounting policies for the valuation of investments to utilize mid-market prices that align more closely with the calculation of net asset value (NAV) used to price unitholder transactions (Transaction NAV). As a result, net assets for current financial reporting purposes (GAAP NAV) may be impacted and is expected to align with Transaction NAV, eliminating the need for a NAV per unit reconciliation. Given that the Fund does not invest directly in any investment securities, there is no difference between the Fund's net asset value and the Fund's net assets.
- IFRS 10 *Consolidated Financial Statements* provides an exception to the consolidation requirements and requires an investment entity to account for its subsidiaries at fair value through profit or loss. The Fund has concluded that it meets the definition of an investment entity as at January 1, 2013 and throughout the year ended December 31, 2013.
- Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. In circumstances where the conditions are met to reflect securityholder's equity as equity, the Fund will also be required to separately disclose retained earnings, other reserves and securityholders' paid up capital. The Fund has assessed the unitholder's structure and has determined the equity treatment is the most appropriate classification. The amount of share capital and retained earnings as of December 31, 2013 were \$229,602,617 and \$69,472,659 (2012 - \$265,840,419 and \$43,417,352), respectively.

- IFRS requires the presentation of a Statement of Cash Flows, including comparatives for 2013. The Fund has not previously presented this statement as permitted by current Canadian GAAP. In addition, other statements presented will be renamed as follows:

<u>Canadian GAAP</u>	<u>IFRS</u>
Statements of Net Assets	Statements of Financial Position
Statements of Operations	Statements of Comprehensive Income
Statements of Changes in Net Assets	Statements of Changes in Financial Position
Statement of Investment Portfolio	Schedule of Investment Portfolio

- Other reclassifications, presentation differences and additional disclosures will also be required in the financial statements to comply with the new requirements under IFRS.

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