

# OCP SENIOR CREDIT FUND

Monthly Update as at October 31, 2014



## 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:                       | \$248,860,206.24* |
| NAV per Unit:                           | \$10.25*          |
| Market Price:                           | \$9.86*           |
| Latest Distribution: September 30, 2014 | \$0.1250          |
| Distribution Frequency:                 | Quarterly         |
| Cash Distributions Since Inception:     | \$1.9325          |

\*As at October 31, 2014

## Fund Returns (%)

|                                 | 1M   | 3M    | 6M   | YTD  | 1Y   | 2Y   | 3Y   | SI   |
|---------------------------------|------|-------|------|------|------|------|------|------|
| OCP Senior Credit Fund (OSL.UN) | 0.58 | -0.55 | 1.38 | 3.68 | 5.93 | 7.85 | 9.31 | 7.36 |

## Commentary

Net performance for OCP Senior Credit Fund was 0.58% and 3.68% for October and year-to-date, respectively. Volatility remained throughout the month due to fundamental concerns about macro issues, including weakening growth prospects in the European Union and a continued economic slowdown in China, offset by some signs of strength in the U.S. economy. The CS Leveraged Loan, CS High Yield indices and S&P 500 returned .29%, .95% and 2.44%, respectively.

During the month, 71% of the Portfolio's positions generated positive performance, with the vast majority experiencing mark-to-market improvements, retracing some of the declines experienced in September. Most of the gains and losses in individual positions were modest.

Altegrity, a position that we wrote about in prior months due to its negative performance, contributed 30bp to performance, recapturing much of the loss. Investors are awaiting news on the company's plans to restructure its debt following the previously disclosed loss of a large U.S. government contract in September. We believe the value of Altegrity more than covers the par value of the Fund's investment in the senior secured first lien notes.

The Portfolio's investment in Harvey Gulf's senior secured first lien term loans declined during the month on concerns over weakness in the offshore drilling space. The company's assets are largely contracted, relatively young compared to its peers, and we expect leverage to begin to decline in the second half of 2015 as assets to be delivered by early 2015 have largely been paid for and are contracted which when put into service will add to EBITDA.

There continue to be no defaults in the Portfolio.

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## Five Strongest and Weakest Performers

### Strongest

Altegrity Senior Secured Loan  
Harbinger Senior Secured Note  
First Data Senior Secured Loan & Bonds  
Level 3 Senior Secured Term Loan  
Alon Senior Secured Loan

### Weakest

Arch Coal Senior Unsecured Note  
HGIM Corp. Senior Secured Loan  
Ceva Senior Secured Loan  
Navistar Senior Secured Loan  
Aveta 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          | 12.81%         |
| Technology                 | 11.46%         |
| Media                      | 10.44%         |
| Trucking                   | 8.59%          |
| Telecom                    | 7.81%          |
| Retail                     | 7.65%          |
| Energy                     | 5.64%          |
| Gaming/Leisure             | 5.02%          |
| Healthcare                 | 4.67%          |
| Transportation             | 4.33%          |
| Metals/Minerals            | 3.01%          |
| Finance                    | 2.55%          |
| Shipping - Jones Act       | 2.44%          |
| Education                  | 2.03%          |
| Transportation/Logistics   | 2.02%          |
| Housing/Building Products  | 1.70%          |
| Energy Service             | 1.58%          |
| Aerospace                  | 1.43%          |
| Manufacturing              | 1.13%          |
| Food                       | 1.09%          |
| Automobiles                | 1.06%          |
| Forest Prod/Containers     | 0.46%          |
| Infrastructure             | 0.43%          |
| Shipping - Tankers         | 0.42%          |
| Chemicals                  | 0.24%          |
| <b>Adjusted Exposure**</b> | <b>100.00%</b> |

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

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.

You will usually pay brokerage fees to your dealer if you purchase or sell units of the investment fund on the Toronto Stock Exchange ("TSX"). If the units are purchased or sold on the TSX, investors may pay more than the current net asset value when buying units of the investment fund and may receive less than the current net asset value when selling them. There are ongoing fees and expenses associated with owning units of an investment fund. An investment fund must prepare disclosure documents that contain key information about the fund. You can find more detailed information about the fund in these documents. **The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account certain fees (such as redemption fees or optional charges) or income taxes payable by any unitholder that would have reduced returns.** Investment funds are not guaranteed, their values change 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, 2013 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.

## Portfolio Composition\*\*\*

|                       | Net            |
|-----------------------|----------------|
| Bank Debt             | 140.81%        |
| Corporate Bonds       | 22.00%         |
| Government Bonds      | 0.00%          |
| Equity                | 0.00%          |
| Other                 | 0.00%          |
| <b>Total Exposure</b> | <b>162.81%</b> |

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