

# **OCP CREDIT TRUST**

Interim Financial Statements for the period  
**January 1, 2015 to June 30, 2015**

**NOTICE TO READER:**

These interim financial statements and related notes for the six-month period ended June 30, 2015 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 FINANCIAL POSITION (Unaudited)**

As at (Stated in Canadian dollars)

	June 30, 2015 \$	December 31, 2014 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Investments held long	81,632,794	130,111,965
Cash and cash equivalents	34,152,502	12,498,088
Cash on deposit with brokers as collateral	92,224,568	104,177,344
Receivable for investments sold	4,711	895,974
Interest and other receivables	4,311,779	4,468,711
<b>Total Assets</b>	<b>212,326,354</b>	<b>252,152,082</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Unrealized loss on total return swap <i>[Note 3]</i>	4,228,118	3,513,722
Unfunded bank debt commitments	1,147	2,819
Unrealized loss on forward contracts <i>[Note 4]</i>	2,590,363	783,801
Accounts payable and accrued liabilities	282,838	367,382
Payable for investments purchased	7,713,831	-
Interest payable	239,404	259,314
Distributions payable <i>[Note 6]</i>	-	4,200,000
<b>Total Liabilities</b>	<b>15,055,701</b>	<b>9,127,038</b>
<b>EQUITY</b>		
Unit capital	192,834,743	238,589,134
Retained earnings	4,435,910	4,435,910
<b>Total Equity</b>	<b>197,270,653</b>	<b>243,025,044</b>
<b>Total Liabilities and Equity</b>	<b>212,326,354</b>	<b>252,152,082</b>
<b>Number of Units Outstanding <i>[Note 8]</i></b>	<b>34,121,864</b>	<b>34,121,864</b>
<b>Total Equity/Net Assets per unit</b>	<b>\$5.78</b>	<b>\$7.12</b>

See accompanying notes.

OCP CREDIT TRUST

STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the periods ended June 30 (Stated in Canadian dollars)

	2015 \$	2014 \$
<b>INCOME</b>		
<b>Investment Income</b>		
Interest for distribution purposes	12,277,024	13,284,030
	<b>12,277,024</b>	13,284,030
<b>REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>		
Foreign currency gain (loss)	7,197,442	7,369,788
Other net changes in fair value of investments		
Net realized gain (loss) on investments	7,189,223	9,455,401
Net realized gain (loss) on total return swap	(28,456)	1,483,880
Net realized gain (loss) on forward contracts	(13,228,681)	(13,685,237)
Net change in unrealized appreciation (depreciation) of investments	2,684,833	(6,122,938)
Net change in unrealized appreciation (depreciation) of derivatives	(2,520,960)	5,214,753
	<b>13,570,425</b>	16,999,677
<b>EXPENSES</b>		
Interest expense	1,479,957	1,495,001
Management fees (Note 7)	1,184,243	1,452,382
Harmonized sales tax	162,045	194,737
Custodian and valuation fees	56,538	45,360
Legal fees	14,129	5,927
Audit fees	9,425	12,285
Other administration costs	7,979	35,103
Independent Review Committee fees	6,000	5,625
Trustee Fees	4,500	4,500
Securityholder reporting costs	-	1,775
Total Expense	<b>2,924,816</b>	3,252,695
<b>Profit and total comprehensive income for the period</b>	<b>10,645,609</b>	13,746,982
<b>Earnings/(loss) per unit [Note 12]</b>	<b>\$0.31</b>	\$0.40

See accompanying notes.

**OCP CREDIT TRUST**

**STATEMENTS OF CHANGES IN FINANCIAL POSITION** (Unaudited)

For the periods ended June 30 (Stated in Canadian dollars)

	Unit Capital \$	Retained Earnings \$	Total Equity \$
<b>As at January 1, 2015</b>	238,589,134	4,435,910	243,025,044
Changes in equity for 2015:			
Profit (loss) for the period	-	10,645,609	10,645,609
Distributions to shareholders			
Income	-	(10,645,609)	(10,645,609)
Return of capital	(45,754,391)	-	(45,754,391)
<b>As at June 30, 2015</b>	<b>192,834,743</b>	<b>4,435,910</b>	<b>197,270,653</b>
<b>As at January 1, 2014</b>	293,342,501	4,435,910	297,778,411
Changes in equity for 2014:			
Profit (loss) for the period	-	13,746,982	13,746,982
Distributions to shareholders			
Income	-	(13,746,982)	(13,746,982)
Return of capital	(46,353,018)	-	(46,353,018)
<b>As at June 30, 2014</b>	<b>246,989,483</b>	<b>4,435,910</b>	<b>251,425,393</b>

See accompanying notes.

OCP CREDIT TRUST

STATEMENTS OF CASH FLOWS (Unaudited)

For the periods ended June 30 (Stated in Canadian dollars)

	2015 \$	2014 \$
<b>Cash Flow from Operating Activities</b>		
<b>Profit (loss) for the period</b>	<b>10,645,609</b>	13,746,982
Adjustments for:		
Foreign currency (gain) loss	<b>(7,197,442)</b>	(7,369,788)
Net realized gain (loss) on investments	<b>(7,189,223)</b>	(9,455,401)
Net realized gain (loss) on total return swap	<b>28,456</b>	(1,483,880)
Net realized gain (loss) on forward contracts	<b>13,228,681</b>	13,685,237
Net change in unrealized appreciation (depreciation) on investments	<b>(2,684,833)</b>	6,122,938
Net change in unrealized appreciation (depreciation) on derivatives	<b>2,520,960</b>	(5,214,753)
Changes in working capital		
(Increase) decrease in cash on deposit with brokers as collateral	<b>11,952,776</b>	10,157,517
(Increase) decrease in interest and other receivables	<b>156,932</b>	128,365
Increase (decrease) in interest payable	<b>(19,910)</b>	(91,482)
Increase (decrease) in other payable and accrued liabilities	<b>(84,544)</b>	(282,011)
Purchase of investments	<b>(5,903,373)</b>	(86,340,857)
Proceeds from sales of investments	<b>72,860,020</b>	121,042,543
Proceeds from (for) settlement of forward contracts and derivatives	<b>(13,257,137)</b>	(12,201,357)
<b>Net Cash Generated (Used) by Operating Activities</b>	<b>75,056,972</b>	42,444,053
<b>Cash Flows from Financing Activities</b>		
Distributions to unitholders	<b>(60,600,000)</b>	(60,100,000)
<b>Net Cash Generated (Used) by Financing Activities</b>	<b>(60,600,000)</b>	(60,100,000)
Foreign currency gain (loss) on cash and other assets	<b>7,197,442</b>	7,369,788
Net increase (decrease) in cash and cash equivalents	<b>14,456,972</b>	(17,655,947)
Cash and cash equivalents beginning of period	<b>12,498,088</b>	36,194,012
<b>Cash and Cash Equivalents End of period</b>	<b>34,152,502</b>	25,907,853
Cash and cash equivalents comprise:		
Cash at bank	<b>34,152,502</b>	25,907,853
	<b>34,152,502</b>	25,907,853
Interest received, net of withholding tax	<b>12,433,956</b>	13,412,395
Interest paid	<b>(1,499,867)</b>	(1,586,483)

See accompanying notes.

## OCP CREDIT TRUST

# SCHEDULE OF TOTAL RETURN SWAP (Unaudited)

As at June 30, 2015 (Stated in Canadian dollars)

Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
<b>BONDS</b>				
5,399,931	ACST Pass Through Trust Floating Rate	June 14, 2037	4,878,993	5,278,432
11,815,000	Altegrity Inc., 9.500%	July 1, 2019	11,815,000	11,135,638
1,592,000	Avaya Inc., 9.000%	April 1, 2019	1,651,700	1,623,840
6,256,000	Harbinger Group Inc., 7.875%	July 15, 2019	6,238,055	6,631,360
560,000	HD Supply Inc., 5.250%	December 15, 2021	560,000	567,700
700,000	K Hovnanian Enterprises, 7.250%	October 15, 2020	700,000	714,000
3,250,000	PBF Holding Company LLC, 8.250%	February 15, 2020	3,428,750	3,433,625
4,251,000	Prospect Medical Holding, Inc., 8.375%	May 1, 2019	4,259,545	4,520,088
7,198,000	Stena International SA, 5.750%	March 1, 2024	7,198,000	6,694,140
<b>Total Bonds</b>			<b>40,730,042</b>	<b>40,598,823</b>
<b>BANK DEBT</b>				
8,990,988	Albertsons LLC, Term Loan B-2	March 21, 2019	9,038,234	9,020,209
10,706,421	Alon USA Partners, LP, Term Loan B	November 26, 2018	11,127,986	10,759,953
1,650,233	Appvion, Inc., Term Loan	June 28, 2019	1,537,852	1,538,154
4,751,554	Arch Coal Inc., Term Loan	May 16, 2018	4,671,253	3,248,875
7,207,245	Ascend Learning LLC, Term Loan	July 31, 2019	7,207,245	7,189,227
3,502,745	Avaya Inc., Term Loan B6	March 31, 2018	3,502,745	3,479,602
3,338,502	Aveta Inc., Term Loan	December 12, 2017	3,363,540	2,654,109
7,911,255	Brand Energy & Infrastructure Services Inc., Term Loan	November 26, 2020	7,871,699	7,722,129
2,340,302	Ceva Group PLC (Dutch), Term Loan	March 19, 2021	2,305,197	2,182,332
3,228,003	Ceva Group PLC (USD), Term Loan	March 19, 2021	3,179,583	3,010,113
2,247,344	Ceva Group PLC Pre-Funded LLC, Term Loan	March 19, 2021	2,213,634	2,095,648
403,500	Ceva Group PLC, Term Loan	March 19, 2021	397,448	376,264
8,681,958	Commercial Barge Line Company, Term Loan	September 22, 2019	8,757,473	8,665,679
3,980,000	Creative Artists Agency, Term Loan	December 17, 2021	3,940,200	4,009,850
1,448,644	Exgen Texas Power, LLC, Term Loan	September 18, 2021	1,434,158	1,428,726
8,225,175	Federal Mogul Corporation, Term Loan C	April 15, 2021	8,184,049	8,112,079
3,460,508	Freescale Semiconductor Inc., Term Loan B-4	January 15, 2021	3,460,508	3,462,671
5,509,860	Freescale Semiconductor Inc., Term Loan B-5	February 28, 2020	5,592,508	5,526,698
3,809,215	Gates Global LLC, Term Loan	July 6, 2021	3,809,215	3,747,315
4,428,566	HGIM Corporation, Term Loan B	June 18, 2020	3,757,638	3,542,852
5,805,520	JC Penney Corporation Inc., Term Loan	May 22, 2018	5,619,163	5,788,585
7,152,736	McGraw-Hill Global Education Holdings, LLC, Term Loan B	March 22, 2019	7,181,573	7,164,660
6,741,060	New Albertson's Inc., Term Loan B	June 27, 2021	6,685,783	6,744,431
3,058,594	PSAV (AVSC Holding Corporation), Term Loan	January 25, 2021	3,071,135	3,050,948
10,674,884	SRA International Inc., Term Loan B	July 20, 2018	10,433,415	10,681,556
4,723,965	Stations Casino Inc., Term Loan B	March 2, 2020	4,729,870	4,716,374
6,005,031	Supervalu Inc., Term Loan	March 21, 2019	6,000,828	6,014,585

**OCP CREDIT TRUST**

**SCHEDULE OF TOTAL RETURN SWAP** (Unaudited) continued

As at June 30, 2015 (Stated in Canadian dollars)

<b>Par Value (US\$)</b>	<b>Description</b>	<b>Maturity Date</b>	<b>Average Cost (US\$)</b>	<b>Fair Value (US\$)</b>
3,156,315	TNS Inc., Term Loan	February 14, 2020	3,176,042	3,164,206
1,453,150	Wausau Paper Corporation, Term Loan	July 30, 2020	1,467,681	1,452,205
1,702,757	XO Communications LLC, Term Loan B	March 20, 2021	1,708,887	1,698,926
7,437,439	YRC Worldwide Inc., Term Loan	February 13, 2019	7,277,534	7,195,722
<b>Total Bank Debt</b>			152,704,073	149,444,680
<b>Total Bonds and Bank Debt</b>			<b>193,434,116</b>	<b>190,043,503</b>
<b>Unrealized loss on total return swap (US\$)</b>				<b>(3,390,613)</b>
<b>Unrealized loss on total return swap (C\$)</b>				<b>(4,228,118)</b>

See accompanying notes

## OCP CREDIT TRUST

# SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at June 30, 2015 (Stated in Canadian dollars)

Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
<b>BANK DEBT</b>					
145,825	Alpha Natural Resources Inc., Term Loan B	May 22, 2020	137,895	130,360	
490,838	Avaya Inc., Term Loan B6	March 31, 2018	541,103	608,034	
1,246,175	Azure Midstream Holdings, Term Loan B	November 15, 2018	1,441,700	1,544,276	
11,173,840	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	11,729,357	12,653,684	
2,465,106	CITGO Holding Inc., Term Loan	May 12, 2018	2,884,780	3,082,652	
7,071,911	Eastman Kodak Company, Term Loan	September 3, 2019	7,188,580	8,811,378	
1,775,583	Essar Steel Algoma Inc., Term Loan	August 16, 2019	1,975,423	2,011,198	
1,102,451	Granite Broadcasting Corporation, Term Loan B	May 23, 2018	1,147,780	1,368,750	
6,413,169	Ion Media Networks, Inc., Term Loan	December 18, 2020	7,217,199	7,987,271	
3,681,596	Lighttower Fiber LLC, Term Loan B	April 13, 2020	4,055,211	4,558,458	
9,440,328	Navistar Financial Corporation, Term Loan	December 2, 2016	8,699,451	11,521,999	
9,599,693	Navistar Inc., Term Loan B	August 17, 2017	9,584,132	11,970,886	
838,303	OCI Beaumont LLC, Term Loan B3	August 20, 2019	920,454	1,055,824	
1,495,890	Overseas Shipholding Group, Inc., Term Loan	August 5, 2019	1,579,272	1,863,054	
49,867	Realogy Corporation, Extended Synthetic Commitment	October 10, 2016	46,833	61,563	
4,780,000	STG-Fairway ACQ Inc., Term Loan	June 29, 2022	5,828,402	5,886,186	
1,485,000	TI Group Automotive Systems, LLC., Initial US Term Loan	June 30, 2022	1,826,128	1,854,120	
989,280	TMS International Corporation, Term Loan B	October 16, 2020	1,014,505	1,224,387	
516,127	TNS Inc. (Transaction Network Services, Inc.), Term Loan	February 14, 2020	566,418	645,223	
1,302,275	University Support Services LLC (St. George's University Scholastic Services LLC), Term Loan	August 6, 2021	1,421,651	1,632,066	
960,175	Westmoreland Coal Company, Term Loan	December 16, 2020	1,073,886	1,161,425	
<b>Total Bank Debt</b>			<b>70,880,160</b>	<b>81,632,794</b>	<b>100.00%</b>
<b>UNFUNDED BANK DEBT COMMITMENTS</b>					
(229,456)	Windsor Essex, Unfunded Term Loan	September 29, 2016	(8,031)	(1,147)	0.00%
<b>Total Unfunded Bank Debt Commitments</b>			<b>(8,031)</b>	<b>(1,147)</b>	<b>0.00%</b>
<b>Total Investments</b>			<b>70,872,129</b>	<b>81,631,647</b>	<b>100.00%</b>

See accompanying notes.

## OCP CREDIT TRUST

# NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2015  
(Stated in Canadian dollars)

### 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.

The Fund's registered office is at 161 Bay Street, 49<sup>th</sup> Floor, Toronto, Ontario M5J 2S1.

The financial statements of the Fund for the period ended June 30, 2015 were authorized for issue by the Manager on August 26, 2015.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as issued by International Accounting Standards Board (IASB). The Fund adopted International Financial Reporting Standards (IFRS) on January 1, 2014 with a transition date of January 1, 2013 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP).

The financial statements have been prepared on a going concern basis using the historical cost convention except for financial assets and financial liabilities measured at fair value.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Significant estimates include the valuation of investments, unrealized gain on total return swap forward contracts and unfunded bank debt commitments, classification of redeemable units, determination of functional currency and classification of the Fund as an investment entity. These estimates are based on information available as at the reporting date. Actual results could differ from those estimates.

#### Functional currency

The financial statements are presented in Canadian dollars (CAD), which is the currency of the primary economic environment in which the Fund operates and is considered the functional currency of the Fund.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

#### Financial instruments

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

#### (i) Classification and recognition of financial instruments

The Fund classifies financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39).

#### Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at fair value through profit or loss (FVTPL) is sub-divided into:

*Financial assets and liabilities held for trading:* Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. All derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Funds' policy is not to apply hedge accounting.

*Financial instruments designated as fair value through profit or loss upon initial recognition:* All investments held by the Fund (other than derivatives) are designated as fair value through profit or loss upon initial recognition. The Fund includes both long and short positions of equities, bonds, and other interest-bearing investments in this category. These financial assets and liabilities are designated upon initial

## NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

recognition on the basis that they are part of a group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's prospectus.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments.

### **Other financial assets and liabilities**

All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. Included in loans and receivables are receivable for investments sold, interest and other receivables, cash and cash equivalents, and cash on deposit with brokers as collateral. Included in other financial liabilities are accounts payable and accrued liabilities, payable for investments purchased, interest payable and distributions payable. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate.

### **(ii) Valuation of financial instruments**

Financial assets and financial liabilities at FVTPL are recorded in the statements of financial position at fair value upon initial recognition. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss. All other financial assets and liabilities are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments which are classified as FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded as "net change in unrealized appreciation (depreciation) of investments" in the statements of comprehensive income. "Net realized gain (loss) on investments" and "net change in unrealized appreciation (depreciation) of investments" are determined on an average cost basis.

The Fund meets the definition of an investment entity within IFRS 10 *Consolidated Financial Statements* and is required to measure its subsidiaries, if any, at FVTPL rather than consolidate them. The fair values of each specific type of investment and derivative are determined in the following manner:

### **Portfolio investments**

In the case of publicly traded securities, fair value means the close or last traded price when the price falls within the day's bid-ask spread. For bonds and bank debt (including unfunded bank debt commitments), fair market value means the bid price provided by independent security pricing services or broker quotes for investments held long and ask price for investments sold short. In the circumstance where the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions, or a different point within the bid-ask spread that the Manager determines to be more representative of fair value.

### **Derivatives**

The Fund is permitted to invest in forward foreign currency contracts to hedge foreign currency exposure on the investment portfolio. The value of forward currency contracts is recorded as the unrealized gain or loss that would be realized if the position was to be closed out and recorded as "Unrealized gain or loss on forward contracts" in the statements of financial position. Upon maturity of the contracts, the difference between the carrying value and the fair value is included in "Net realized gain (loss) on forward contracts" in the statements of comprehensive income.

Derivative financial instruments such as total return swaps and forward contracts are valued on each valuation date according to the gain or loss that would be realized if the contracts were closed out. Unrealized gains and losses on derivatives are included in the statements of comprehensive income under "Net change in unrealized appreciation (depreciation) of derivatives". Realized gains and losses on total return swap are included in the "Net realized gain (loss) on total return swap".

### **(iii) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as "cash and cash equivalents".

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

## NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

### Income and expense recognition

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Net realized gain/loss on investments and net change in unrealized appreciation/depreciation on investments are determined on an average cost basis. Average cost does not include amortization or premiums or discounts on fixed income securities with the exception of zero coupon bonds.

### Redeemable participating units

The Fund's redeemable units meet the criteria of equity classification of puttable instruments in accordance with IAS 32, *Financial Instruments: Presentation* (IAS 32). All redeemable unitholders are classified as unit capital in the statements of financial position. The movement in unit capital is shown in the statements of changes in equity.

### Foreign currency translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

Realized foreign currency gains and losses on investment transactions and unrealized foreign currency gains and losses on other net assets are included in the statements of comprehensive income in "Foreign currency gain (loss)". Unrealized foreign currency gains and losses on investments and derivatives are included in the statements of comprehensive income in "Net change in unrealized appreciation (depreciation) of investments" and "Net change in unrealized appreciation (depreciation) of derivatives", respectively.

### Earnings (loss) Per Unit

Earnings (loss) per unit are based on the profit and total comprehensive income for the period divided by the weighted average number of units outstanding during the period.

### Future Accounting Pronouncements – IFRS 9 *Financial Instruments* ("IFRS 9")

In July 2014, the IASB issued the final version of IFRS 9, first issued on November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39). IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. It introduces a forward-looking impairment model for financial assets which will be applicable for all financial instruments subject to impairment accounting and requires more timely recognition of expected credit losses. Finally, it introduces a new hedge accounting model that aligns the accounting for hedge relationship more closely with risk management. IFRS 9 will be effective for the Fund on January 1, 2018. The Fund is currently assessing the impact of adopting the IFRS 9 on the financial statements.

### 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 has agreed 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 has agreed to pay to the Counterparty a funding cost calculated daily based on a floating rate option plus a spread of 1.00%, 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

## OCP CREDIT TRUST

# NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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 19, 2015, which is the scheduled ramp-down date.

The reference assets of the TRS Facility are listed in the Schedule of Total Return Swap.

As at June 30, 2015, the Fund has \$91,994,814 [December 31, 2014 – \$103,359,818] on deposit with the Counterparty as credit support. Interest earned on the collateral is paid to the Fund and is included as interest for distribution purposes in the statements of comprehensive income.

#### 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, 2015:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	159,000,000	CAD	195,725,820	0.81	July 15, 2015	(2,590,363)
						<b>(2,590,363)</b>

As at December 31, 2014:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	209,500,000	CAD	242,433,400	0.86	January 15, 2015	(783,801)
						<b>(783,801)</b>

The Fund has \$229,754 [December 31, 2014 – \$817,526] on deposit with the Counterparty as credit support. Interest earned on the collateral is paid to the Fund and is included as interest for distribution purposes in the Statements of Operations.

The counterparty is rated A – by Standard & Poor's [December 31, 2014 – A –].

#### 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

**OCP CREDIT TRUST**

**NOTES TO FINANCIAL STATEMENTS (Unaudited) continued**

The breakdown of the Fund into the three-level hierarchy is as follows:

As at June 30, 2015:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial Assets</b>				
Bank Debt	-	81,632,794	-	81,632,794
	-	<b>81,632,794</b>	-	<b>81,632,794</b>

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial Liabilities</b>				
Total Return Swap	-	4,228,118	-	4,228,118
Unfunded bank debt commitment	-	1,147	-	1,147
Forward contract	-	2,590,363	-	2,590,363
	-	<b>6,819,628</b>	-	<b>6,819,628</b>

As at December 31, 2014:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial Assets</b>				
Bank Debt	-	130,111,965	-	130,111,965
	-	<b>130,111,965</b>	-	<b>130,111,965</b>

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial Liabilities</b>				
Total Return Swap	-	3,513,722	-	3,513,722
Unfunded bank debt commitment	-	2,819	-	2,819
Forward contract	-	783,801	-	783,801
	-	<b>4,300,342</b>	-	<b>4,300,342</b>

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of securities no longer being traded in an active market. For the periods ended June 30, 2015 and December 31, 2014, there were no transfers of financial assets and liabilities from Level 1 to Level 2.

Financial assets and liabilities transferred from Level 2 to Level 1 are the result of securities now being traded in an active market. For the periods ended June 30, 2015 and December 31, 2014, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

The Fund did not hold any positions of Level 3 investments at the beginning of, during, or at the end of the reporting periods.

## NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

### 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 NAV 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. Such distribution is at the discretion of the Manager.

### 7. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 1.00% based on the NAV of the Fund. This fee is calculated daily and paid monthly in arrears. During the period ended June 30, 2015, the Fund incurred a management fee of \$1,184,243 (June 30, 2014 – \$1,452,382) of which \$173,369 (December 31, 2014 – \$223,189) was owing at June 30, 2015.

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. REDEEMABLE UNITS

Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. The Fund has assessed the unitholder's structure and has determined that equity treatment is the most appropriate classification. Unit capital amounts are determined on a per unit average cost basis.

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 NAV per unit of the Fund. There were no changes in the number of units outstanding for the periods ended June 30, 2015 and 2014.

### 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 the 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.

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 A+ by Standard and Poor's (December 31, 2014 – A+).

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.

The maximum exposure to any one debt issuer as of June 30, 2015 was \$23,492,885 representing 11.91% of the net assets of the Fund (December 31, 2014 – \$22,013,350 or 9.06%).

## NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

As at June 30, 2015 and December 31, 2014, direct and indirect exposure to debt securities by credit rating is as follows:

	As a %	
	June 30, 2015	December 31, 2014
A	3.34	2.96
BBB	-	1.35
BB	32.16	38.88
B	102.18	106.78
CCC	10.96	19.32
D	7.04	-
NR*	5.84	0.60

\* Not rated by Standard & Poor's

**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 Fund has financial liabilities outstanding including accounts payable and accrued liabilities, interest payable, distributions payable and payable for investments purchased. These financial liabilities are all current and are expected to be settled within three months. The Fund has sufficient cash on hand to settle these financial liabilities.

Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that all the units will be redeemed immediately as holders of these instruments typically retain them for a longer period.

**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 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 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. As at June 30, 2015 and December 31, 2014, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Fund's foreign exposure is hedged back to the Canadian dollar.

**Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category. A summary of the Fund's concentration risk by product type as at June 30, 2015 is shown in the Fund's schedule of investment portfolio.

**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 its most recent Annual Information Form. Restrictions and specific requirements on the redemption of units are described in Note 8. The statements of changes in equity and Note 8 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. TAXATION**

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 Income 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

## OCP CREDIT TRUST

### NOTES TO FINANCIAL STATEMENTS (Unaudited) continued

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, the excess distribution is a return of capital and is not taxable to the unitholder.

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. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the periods ended June 30 are calculated as follows:

	2015	2014
Profit for the period	<b>\$10,645,609</b>	\$13,746,982
Weighted average units outstanding during the period	<b>34,121,864</b>	34,121,864
Earnings (loss) per unit	<b>\$0.31</b>	\$0.40

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