OCP SENIOR CREDIT FUND

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 SENIOR CREDIT FUND

STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at (Stated in Canadian dollars)

	June 30, 2015 $	December 31, 2014 $
ASSETS		
Current Assets		
Forward Agreement *[Note 6]*	**197,270,653**	243,025,044
Cash and cash equivalents	**3,660,730**	458,981
Receivable from counterparty under Forward Agreement	**–**	4,200,000
Total Assets	**200,931,383**	247,684,025
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities *[Note 5]*	**452,182**	635,000
Distributions payable *[Note 4]*	**2,436,699**	3,034,447
Total Liabilities	**2,888,881**	3,669,447
EQUITY		
Unit capital	**137,703,647**	178,297,107
Retained earnings	**60,338,855**	65,717,471
Total Equity	**198,042,502**	244,014,578
Total Liabilities and Equity	**200,931,383**	247,684,025
Number of Units Outstanding *[Note 7]*	**19,493,590**	24,275,577
Total Equity/Net Assets per unit	**$10.16**	$10.05

See accompanying notes

STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

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

	2015 $	2014 $
INCOME		
Investment Income		
Interest for distribution purposes	**2,486**	6,886
	2,486	6,886
Realized and unrealized gain (loss) on Forward Agreement		
Other net changes in fair value of Forward Agreement		
Net realized gain on Forward Agreement	**14,553,205**	18,799,629
Net change in unrealized (depreciation) appreciation of Forward Agreement	**(3,909,506)**	(5,052,299)
	10,646,185	13,754,216
EXPENSES		
Management fees *[Note 5]*	**594,348**	729,701
Dealer service fees *[Note 5]*	**475,478**	583,761
Transaction costs *[Note 2 and 6]*	**333,052**	398,837
Harmonized sales tax	**104,781**	126,570
Securityholder reporting costs	**40,099**	33,439
Custodian and valuation fees	**37,790**	23,185
Legal fees	**15,000**	21,025
Audit fees	**9,425**	12,285
Independent Review Committee fees	**6,000**	20,147
Trustee fees	**4,500**	4,500
Total Expense	**1,620,473**	1,953,450
Profit and total comprehensive income for the period	**9,025,712**	11,800,766
Earnings/(loss) per unit *[Note 11]*	**$0.39**	$0.42

See accompanying notes

STATEMENTS OF CHANGES IN FINANCIAL POSITION (Unaudited)

For the periods ended June 30, 2015 and 2014 (Stated in Canadian dollars)

	Share Capital $	Retained Earnings $	Total Equity $
As at January 1, 2015	178,297,107	65,717,471	244,014,578
Changes in equity for 2015:			
Profit (loss) for the period	–	9,025,712	9,025,712
Redemption of units	(35,122,314)	(14,404,328)	(49,526,642)
Distributions to unitholders			
Return of capital	(5,471,146)	–	(5,471,146)
As at June 30, 2015	**137,703,647**	**60,338,855**	**198,042,502**
As at January 1, 2014	229,602,617	69,472,659	299,075,276
Changes in equity for 2014:			
Profit (loss) for the period	–	11,800,766	11,800,766
Units purchased for cancellation	(996,271)	(276,745)	(1,273,016)
Redemption of units	(37,571,186)	(12,286,041)	(49,857,227)
Distributions to unitholders			
Return of capital	(6,669,159)	–	(6,669,159)
As at June 30, 2014	**184,366,001**	**68,710,639**	**253,076,640**

See accompanying notes

STATEMENTS OF CASH FLOWS (Unaudited)

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

	2015 $	2014 $
Cash Flow from Operating Activities		
Profit (loss) for the period	**9,025,712**	11,800,766
Adjustments for:		–
Net realized gain (loss) on Forward Agreement	**(14,553,205)**	(18,799,629)
Change in unrealized (appreciation) depreciation of Forward Agreement	**3,909,506**	5,052,299
Non-cash working capital changes		
Increase (decrease) in accounts payable and accrued liabilities	**(182,818)**	(368,965)
Net proceeds from Forward Agreement	**60,600,000**	60,100,000
Net Cash Generated (Used) by Operating Activities	**58,799,195**	57,784,471
Cash Flows from Financing Activities		
Distributions to unitholders	**(6,068,894)**	(7,281,774)
Units purchased for cancellation	**–**	(1,273,016)
Amount paid on redemption of units	**(49,526,642)**	(49,857,227)
Net Cash Generated (Used) by Financing Activities	**(55,595,536)**	(58,412,017)
Foreign currency gain (loss) on cash and cash equivalents	**(1,910)**	348
Net increase (decrease) in cash and cash equivalents	**3,203,659**	(627,546)
Cash and cash equivalents beginning of period	**458,981**	5,899,050
Cash and Cash Equivalents End of period	**3,660,730**	5,271,852
Cash and cash equivalents comprise:		
Cash at bank	**3,660,730**	5,271,852
	3,660,730	5,271,852
Interest received, net of withholding tax	**2,486**	6,886

See accompanying notes

SCHEDULE OF FORWARD AGREEMENT (Unaudited)

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

Par Value (US$)	Description	Maturity Date	Average Cost (US$)	Fair Value (US$)
Investments held by OCP Credit Trust				
TOTAL RETURN SWAP				
BONDS				
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
Total Bonds			40,730,042	40,598,823
BANK DEBT				
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

SCHEDULE OF FORWARD AGREEMENT (Unaudited) continued

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

Par Value (US$)	Description	Maturity Date	Average Cost (US$)	Fair Value (US$)
4,723,965	Stations Casino Inc., Term Loan B	March 2, 2020	4,729,870	4,716,374
6,005,031	Supervalu Inc., Term Loan	March 21, 2019	6,000,828	6,014,585
3,156,315	TNS Inc.,Term Loan	February 14, 2020	3,176,042	3,164,206
1,453,150	Wausau Paper Corporation,Term Loan	July 30, 2020	1,467,681	1,452,205
1,702,757	XO Communications LLC, Term Loan B	March 20, 2021	1,708,887	1,698,926
7,437,439	YRC Worldwide Inc., Term Loan	February 13, 2019	7,277,534	7,195,722
Total Bank Debt			152,704,073	149,444,680
Total Bonds and Bank Debt			**193,434,116**	**190,043,503**
Unrealized loss on total return swap (US$)				**(3,390,613)**
Unrealized loss on total return swap (C$)				**(4,228,118)**

SCHEDULE OF FORWARD AGREEMENT (Unaudited) continued

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

Par Value (US$)	Description	Maturity Date	Average Cost $	Fair Value $
OTHER INVESTMENTS				
BANK DEBT				
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	Lightower 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
Total Bank Debt			70,880,160	81,632,794
UNFUNDED BANK DEBT COMMITMENTS				
(229,456)	Windsor Essex, Unfunded Term Loan	September 29, 2016	(8,031)	(1,147)
Total Unfunded Bank Debt Commitments			(8,031)	(1,147)
Total Investments			**70,872,129**	**81,631,647**

SCHEDULE OF FORWARD AGREEMENT (Unaudited) continued

	Fair Value (C$)
Other assets and liabilities held in OCP Credit Trust:	
Cash and cash equivalents	34,152,502
Cash on deposit with brokers as collateral	92,224,568
Receivable for investments sold	4,711
Interest and other receivable	4,311,779
Unrealized loss on forward contracts	(2,590,363)
Unrealized loss on total return swap	(4,228,118)
Accounts payable and accrued liabilities	(282,838)
Interest payable	(239,404)
Payable for investments purchased	(7,713,831)
Forward Agreement	**197,270,653**

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015
(Stated in Canadian dollars)

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.

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 Fund may extend or enter into a new forward agreement before the Forward Termination Date or amend the Declaration of Trust to permit the Fund to hold the Trust Portfolio directly. Therefore, the Forward Termination Date does not constitute the Fund termination date and the Fund will continue to operate for the foreseeable future.

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, 49th 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 the Forward Agreement, determination of functional currency, classification of redeemable units 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).

NOTES TO FINANCIAL STATEMENTS continued

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 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 from counterparty under Forward Agreement and cash and cash equivalents. Included in other financial liabilities are accounts payable and accrued liabilities 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 the statement of comprehensive income. All other financial assets and liabilities (other than those classified as FVTPL) 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 ''unrealized appreciation (depreciation) of investments'' in the statements of comprehensive income. ''Net realized gain (loss) on Forward Agreement'' and ''net change in unrealized appreciation (depreciation) of Forward Agreement'' 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:

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 (NAV) 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 comprehensive income under ''Net change in unrealized appreciation (depreciation) of Forward Agreement.''

(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.

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.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in 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.

NOTES TO FINANCIAL STATEMENTS continued

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.

Valuation of Fund Units

The value at which units are redeemed is the Net Asset Value per unit. Net asset value per unit is calculated daily by dividing the net asset value by its outstanding units. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the statements of changes in financial position.

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 IFRS 9 on the financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash and cash equivalents, 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 NAV of the Fund, as well as an annual fee of 1.00% based on the NAV of the Trust (total overall management fee of 1.50%). These fees are calculated daily and paid monthly in arrears. During the period ended June 30, 2015, the Fund incurred a management fee of $594,348 (June 30, 2014 – $729,701) of which $88,150 (December 31, 2014 – $111,581) was owing at June 30, 2015.

A dealer service fee, which is equal to 0.40% annually of the NAV 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 the 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

NOTES TO FINANCIAL STATEMENTS continued

time, and operating expenses of the Fund. Under the Forward Agreement, the Fund pays to the counterparty an annual fee as negotiated with the counterparty, of the notional amount of the Forward Agreement (being effectively equal to the NAV of the Trust), calculated daily and paid quarterly in arrears.

7. 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 the equity treatment is the most appropriate classification. Unit capital amounts are determined on a per unit average costs basis.

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.

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 NAV per unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption.

Changes in the number of redeemable units outstanding for the periods ended June 30 are summarized as follows:

	2015 \#	2014 \#
Redeemable units outstanding, beginning of period	**24,275,577**	29,176,493
Redemption of redeemable units	**(4,781,987)**	(4,774,316)
Redeemable units purchased for cancellation	**–**	(126,600)
Redeemable units outstanding, end of period	**19,493,590**	24,275,577

Under a normal course issuer bid, which will expire on July 16, 2015, 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 period ended June 30, 2015, no units (2014 – 126,600 units) were purchased under this normal course issuer bid (average price 2014 – $10.04). When units are redeemed, the average cost of the units is deducted from unit capital and the difference between average cost and redemption price is taken to retained earnings.

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 June 30, 2015, the credit exposure is $197,270,653 (December 31, 2014 – $247,225,044) and is represented by the NAV 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 June 30, 2015 and December 31, 2014, the Counterparty had a current credit rating of A+ by S&P.

NOTES TO FINANCIAL STATEMENTS continued

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 June 30, 2015 and December 31, 2014.

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 June 30, 2015 was $23,492,885 representing 11.91% of the net assets of the Trust (December 31, 2014 – $22,013,350 or 9.06%).

Indirect exposure to debt securities by credit rating is as follows:

	As a % of the Trust's Net Assets	
	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 S&P 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 are expected to be settled within three months. The Fund has sufficient liquid assets to settle these financial liabilities.

Redeemable units are redeemable at the holder's option subject to the conditions outlined in Note 7. The Manager expects to have sufficient liquid assets to settle any redemptions.

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. 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 Trust's foreign exposure is hedged back to the Canadian dollar.

NOTES TO FINANCIAL STATEMENTS continued

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. The value of the Forward Agreement is based on the value of the Trust, which represents the concentration risk for the Fund.

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 its most recent Annual Information Form. Restrictions and specific requirements on the redemption of units are described in Note 7. The statements of changes in equity 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 NAV.

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.

10. TAXATION

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, 2014, the Fund has accumulated $12,998,790 non-capital losses, which may be carried forward to reduce future taxable income and expire in the years indicated:

		Expiration of Non-Capital Losses	
Non-Capital Losses	**2031**	**2032**	**2033**
$12,998,790	$4,745,637	$5,141,672	$3,111,481

11. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the periods ended June 30, 2015 and 2014 is calculated as follows:

	2015	**2014**
Profit for the period	**$9,025,712**	$11,800,766
Weighted average units outstanding during the period	**23,403,723**	28,252,784
Earnings (loss) per unit	**$0.39**	$0.42

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