

OCP SENIOR CREDIT FUND

Annual Financial Statements for the year ended
December 31, 2015

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 International Financial Reporting Standards using information available to March 29, 2016 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, Licensed Public Accountants, 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 29, 2016



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 29, 2016

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 statements of financial position as at December 31, 2015, and December 31, 2014, the statements of comprehensive income, changes in equity and cash flows 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 International Financial Reporting Standards, 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, 2015 and December 31, 2014, and its financial performance, its changes in equity, and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Licensed Public Accountants
Chartered Professional Accountants
March 29, 2016
Toronto, Ontario

This office is independently owned and operated by Collins Barrow Toronto LLP
The Collins Barrow trademarks are used under License.

 An independent member of
BAKER TILLY
INTERNATIONAL

OCP SENIOR CREDIT FUND

STATEMENTS OF FINANCIAL POSITION

As at (stated in Canadian dollars)

	December 31, 2015 \$	December 31, 2014 \$
ASSETS		
Current Assets		
Investments held long	85,064,796	-
Forward Agreement <i>[Note 1]</i>	-	243,025,044
Cash and cash equivalents	14,853,020	458,981
Cash on deposit with brokers as collateral <i>[Note 3]</i>	98,000,277	-
Receivable for investments sold	10,393,110	-
Interest and other receivables	4,191,872	-
Receivable from counterparty under Forward Agreement	-	4,200,000
Total Assets	212,503,075	247,684,025
LIABILITIES		
Current Liabilities		
Unrealized loss on total return swap <i>[Note 3]</i>	6,511,564	-
Unrealized loss on forward contracts <i>[Note 4]</i>	1,273,832	-
Accounts payable and accrued liabilities <i>[Note 7]</i>	697,763	635,000
Payable for total return swap	13,281,164	-
Payable for investments purchased	8,716,301	-
Interest payable	211,137	-
Distributions payable <i>[Note 6]</i>	5,540,078	3,034,447
Total Liabilities	36,231,839	3,669,447
EQUITY		
Unit capital	143,174,793	178,297,107
Retained earnings	33,096,443	65,717,471
Total Equity	176,271,236	244,014,578
Total Liabilities and Equity	212,503,075	247,684,025
Number of Units Outstanding <i>[Note 8]</i>	19,493,590	24,275,577
Total Equity/Net Assets per unit	\$9.04	\$10.05

See accompanying notes.

OCP SENIOR CREDIT FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (stated in Canadian dollars)

	2015 \$	2014 \$
INCOME		
Investment Income		
Interest for distribution purposes	2,845,777	18,392
	2,845,777	18,392
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FORWARD AGREEMENTS		
Foreign currency gain (loss)	4,381,567	-
Other net changes in fair value of investments and Forward Agreement		
Net realized gain (loss) on investments	494,213	-
Net realized gain (loss) on total return swap	(227,138)	-
Net realized gain (loss) on forward contracts	(6,817,198)	-
Net realized gain (loss) on Forward Agreement	73,318,353	20,486,122
Net change in unrealized appreciation (depreciation) of investments	(796,168)	-
Net change in unrealized appreciation (depreciation) of derivatives	(7,785,396)	-
Net change in unrealized appreciation (depreciation) of Forward Agreement	(66,541,545)	(8,038,297)
	(1,127,535)	12,466,217
EXPENSES		
Management fees <i>[Note 7]</i>	1,360,057	1,360,712
Dealer Service fees <i>[Note 7]</i>	856,606	1,088,570
Transaction costs <i>[Note 7]</i>	525,490	742,793
Interest expense	343,415	-
Harmonized sales tax	228,320	243,133
Securityholder reporting costs	106,235	109,761
Legal fees	92,753	21,025
Custodian and valuation fees	74,158	46,340
Other administration costs	15,642	-
Audit fees	14,389	26,035
Independent Review Committee fees	13,932	11,250
Trustee Fees	10,245	9,000
Total Expense	3,641,242	3,658,619
Profit (loss) and total comprehensive income (loss) for the period	(4,768,777)	8,807,598
Earnings/(loss) per unit <i>[Note 12]</i>	(0.22)	\$0.34

See accompanying notes.

OCP SENIOR CREDIT FUND

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31 (stated in Canadian dollars)

	Unit 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 year	-	(4,768,777)	(4,768,777)
Reinvestment of dividends/distributions	-	9,308,189	9,308,189
Redemption of units	(35,122,314)	(14,404,328)	(49,526,642)
Distributions to unitholders			
Capital gains	-	(22,756,112)	(22,756,112)
As at December 31, 2015	143,174,793	33,096,443	176,271,236
As at January 1, 2014	229,602,617	69,472,659	299,075,276
Changes in equity for 2014:			
Profit (loss) for the year	-	8,807,598	8,807,598
Units purchased for cancellation	(996,271)	(276,745)	(1,273,016)
Reinvestment of dividends/distributions			-
Redemption of units	(37,571,186)	(12,286,041)	(49,857,227)
Distributions to unitholders			
Return of capital	(12,738,053)	-	(12,738,053)
As at December 31, 2014	178,297,107	65,717,471	244,014,578

See accompanying notes.

OCP SENIOR CREDIT FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31 (stated in Canadian dollars)

	2015 \$	2014 \$
Cash Flow from Operating Activities		
Profit (loss) for the year	(4,768,777)	8,807,598
Adjustments for:		
Foreign currency (gain) loss	(4,381,567)	-
Net realized (gain) loss on investments	(494,213)	-
Net realized (gain) loss on total return swap	227,138	-
Net realized (gain) loss on forward contracts	6,817,198	-
Net realized (gain) loss on Forward Agreement	(73,318,353)	(20,486,122)
Net change in unrealized (appreciation) depreciation on investments	796,168	-
Net change in unrealized (appreciation) depreciation on derivatives	7,785,396	-
Net change in unrealized (appreciation) depreciation of Forward Agreement	66,541,545	8,038,297
Changes in working capital		
(Increase) decrease in cash on deposit with brokers as collateral	(98,000,277)	-
(Increase) decrease in interest and other receivables	(4,191,872)	-
Increase (decrease) in interest payable	211,137	-
Increase (decrease) in accounts payable and accrued liabilities	62,763	(320,123)
Increase (decrease) in payable for total return swap	13,281,164	-
Purchase of investments	(3,054,223)	-
Proceeds from sale of investments	2,187,550	-
Proceeds from (to) settlement of forward contracts and derivatives	(7,044,337)	-
Net proceeds from Forward Agreement	167,824,966	63,000,000
Net Cash Generated (Used) by Operating Activities	70,481,406	59,039,650
Cash Flows from Financing Activities		
Distributions to unitholders	(10,942,292)	(13,350,668)
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	(60,468,934)	(64,480,911)
Foreign currency gain (loss) on cash and other assets	4,381,567	1,192
Net increase (decrease) in cash and cash equivalents	10,012,472	(5,441,261)
Cash and cash equivalents beginning of year	458,981	5,899,050
Cash and Cash Equivalents End of year	14,853,020	458,981
Interest received, net of withholding tax	1,679,746	18,392
Interest paid	(196,099)	-

See accompanying notes.

OCP SENIOR CREDIT FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2015 (stated in Canadian dollars)

Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
BANK DEBT					
6,213,000	Albertson's LLC, Term Loan B-5	December 21, 2022	8,362,159	8,527,668	
145,825	Alpha Natural Resources Inc., Term Loan B	May 22, 2020	83,667	88,452	
3,760,000	American Commercial Lines, Term Loan	November 12, 2020	4,763,535	4,760,811	
490,838	Avaya Inc., Term Loan B6	March 31, 2018	549,564	510,829	
953,334	Azure Midstream Holdings, Term Loan B	November 15, 2018	961,162	751,955	
11,117,120	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	13,982,859	13,907,945	
434,000	Chelsea Petroleum Products I, LLC, Tranche B Term Loan	October 28, 2022	569,025	584,552	
2,531,004	CITGO Holdings Inc., Term Loan	May 12, 2018	3,352,642	3,481,963	
7,035,830	Eastman Kodak Company, Term Loan	September 3, 2019	8,804,779	8,567,813	
1,771,110	Essar Steel Algoma Inc., Term Loan	Defaulted	1,063,169	575,951	
6,380,942	Ion Media Networks, Inc., Term Loan	December 18, 2020	8,401,434	8,642,285	
3,662,812	Lightower Fiber LLC, Term Loan B	April 13, 2020	4,798,327	4,930,465	
8,810,973	Navistar Financial Corporation, Term Loan	December 2, 2016	11,221,043	11,217,180	
9,599,693	Navistar Inc., Term Loan B	August 17, 2017	11,954,884	11,623,512	
1,138,000	NXP B.V. (NXP Funding LLC), Tranche B Term Loan	December 7, 2020	1,510,419	1,564,917	
49,490	Realogy Corporation, Extended Synthetic Commitment	October 10, 2016	64,833	67,457	
355,607	Securus Technologies Holdings, Inc., Initial Term Loan (First Lien)	April 30, 2020	368,092	351,843	
1,481,288	TI Group Automotive Systems, LLC., Initial US Term Loan	June 30, 2022	1,950,329	1,998,554	
981,667	TMS International Corporation, Term Loan B	October 16, 2020	1,211,115	1,086,742	
354,985	TNS Inc. (Transaction Network Services, Inc.), Term Loan	February 14, 2020	469,450	483,040	
517,115	University Support Services LLC (St. George's University Scholastic Services LLC), Term Loan	August 6, 2021	684,287	713,793	
742,872	Westmoreland Coal Company, Term Loan	December 16, 2020	734,190	627,069	
Total Bank Debt			85,860,964	85,064,796	101.52%
FORWARD CONTRACTS					
	United States Dollars				
	Forward currency contract				
	January 15, 2016			(1,273,832)	(1.52)%
Total Forward Contracts			-	(1,273,832)	(1.52)%
Total Investments			85,860,964	83,790,964	100.00%

See accompanying notes.

OCP SENIOR CREDIT FUND

SCHEDULE OF TOTAL RETURN SWAP

As at December 31, 2015

Par Value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
BONDS				
2,026,401	ACST Pass Through Trust Floating Rate	June 14, 2037	1,960,543	1,955,477
10,655,000	Altegrity Inc., 9.500%	July 1, 2019	9,829,238	9,482,950
1,592,000	Avaya Inc., 9.000%	April 1, 2019	1,273,600	1,221,860
5,809,000	Harbinger Group Inc., 7.875%	July 15, 2019	6,172,063	6,070,405
560,000	HD Supply Inc., 5.250%	December 15, 2021	585,900	571,200
700,000	K Hovnanian Enterprises, 7.250%	October 15, 2020	654,500	602,000
3,250,000	PBF Holding Company LLC, 8.250%	February 15, 2020	3,404,375	3,363,750
7,198,000	Stena International SA, 5.750%	March 1, 2024	6,316,245	6,046,320
Total Bonds			30,196,464	29,313,962
BANK DEBT				
8,945,920	Albertsons LLC, Term Loan B-2	March 21, 2019	8,931,383	8,892,495
10,651,516	Alon USA Partners, LP, Term Loan B	November 26, 2018	10,598,258	10,545,001
1,830,118	Arch Coal Inc., Term Loan	May 16, 2018	855,580	829,653
7,188,952	Ascend Learning LLC., Term Loan (First Lien)	July 31, 2019	7,182,964	7,138,033
3,502,745	Avaya Inc., Term Loan B6	March 31, 2018	2,958,068	2,634,355
3,338,502	Aveta Inc., Term Loan	December 12, 2017	2,437,106	1,502,326
7,871,096	Brand Energy & Infrastructure Services Inc., Term Loan	November 26, 2020	7,431,629	7,411,952
2,328,452	Ceva Group PLC (Dutch), Term Loan	March 19, 2021	2,033,514	1,905,449
3,211,658	Ceva Group PLC (USD), Term Loan	March 19, 2021	2,804,847	2,628,206
401,457	Ceva Group PLC, Term Loan	March 19, 2021	350,606	328,526
2,247,344	Ceva Group PLC Pre-Funded LLC, Term Loan	March 19, 2021	1,962,679	1,839,075
3,960,000	Creative Artists Agency, Term Loan	December 17, 2021	3,960,000	3,935,250
1,441,344	Exgen Texas Power, LLC, Term Loan	September 18, 2021	1,113,439	1,037,768
8,183,738	Federal Mogul Corporation, Term Loan C	April 15, 2021	7,426,742	7,164,863
5,185,492	Gates Global LLC, Term Loan	July 6, 2021	4,867,078	4,852,755
4,406,028	HGIM Corporation, Term Loan B	June 18, 2020	2,885,949	2,533,466
5,775,900	JC Penny Corporation Inc., Term Loan	May 22, 2018	5,751,352	5,663,992
7,116,883	McGraw-Hill Global Education Holdings, LLC, Term Loan B	March 22, 2019	7,112,435	7,010,129
834,065	OCI Beaumont LLC, Term Loan B3	August 20, 2019	846,576	838,235
1,488,335	Overseas Shipholding Group Bulk Ships, Inc., Initial Term Loan	August 5, 2019	1,439,964	1,425,081
2,055,000	ProQuest LLC, Initial Term Loan	October 24, 2021	2,003,625	1,988,213
3,043,108	PSAV (AVSC Holding Corporation), Term Loan	January 25, 2021	2,982,246	2,921,384
4,697,974	Stations Casino Inc., Term Loan B	March 2, 2020	4,694,620	4,600,101
3,961,393	STG-Fairway ACQ, Inc., Term Loan	June 29, 2022	3,897,020	3,842,551
6,005,031	Supervalu Inc., Term Loan	March 21, 2019	5,985,245	5,915,892
2,170,872	TNS Inc., Term Loan	February 14, 2020	2,160,018	2,134,690
1,445,810	Wausau Paper Corporation, Term Loan B	July 30, 2020	1,443,100	1,434,967
1,694,135	XO Communications LLC, Term Loan B	March 20, 2021	1,685,665	1,653,193
7,399,685	YRC Worldwide Inc., Term Loan	February 13, 2019	7,029,701	6,400,728
Total Bank Debt			114,831,409	111,008,329
Total Bonds and Bank Debt			145,027,873	140,322,291
Unrealized loss on total return swap (US\$)				(4,705,582)
Unrealized loss on total return swap (C\$)				(6,511,564)

See accompanying notes.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014
(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 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 initial 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 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 held the Portfolio securities, net of any amount owing by the Fund to the Counterparty. As such, the return of the Fund was, by virtue of the Forward Agreement, based on the return of the Trust, which, in turn, was based on the performance of the Portfolio.

Just prior to the Forward Termination Date, the Forward Agreement was unwound in full (the "Forward Unwind"). Subsequent to the Forward Unwind, the Portfolio was held directly by the Fund whereas prior to the Forward Unwind, the Fund obtained exposure to the Portfolio through the Forward Agreement.

The Fund's investment objectives were amended on or about the Forward Termination Date to remove all references to the use of forward agreements to gain exposure to the Portfolio, to delete references to "tax-advantaged" and to clarify that the Fund will invest directly in securities similar to those held by the Trust prior to the Termination Date.

The Fund seeks to achieve the following investment objectives: (i) to provide unitholders with attractive, quarterly distributions, currently targeted to be \$0.125 per quarter (\$0.50 per year to yield 5% per year based on the \$10.00 subscription price); (ii) to preserve capital; and (iii) to generate enhanced return through increasing cash flow to the Portfolio as interest rates rise.

The amendments to the investment objectives of the Fund did not change the investment strategy and types of securities securityholders were previously exposed to indirectly through the Trust.

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 year ended December 31, 2015 were authorized for issue by the Manager on March 29, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

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, investments and derivatives, and significant judgements include 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.

NOTES TO FINANCIAL STATEMENTS continued

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 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.

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 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.

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 the Forward Agreement, receivable for investments sold, interest and other receivables, cash on deposit with brokers as collateral and cash and cash equivalents. Included in other financial liabilities are accounts payable and accrued liabilities, distributions payable, payable for investments purchased, payable for total return swap and interest payable. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate. The carrying value of financial assets and liabilities not measured at FVTPL approximates fair value.

(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 investments", "net change in unrealized appreciation (depreciation) of investments", "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:

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 (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.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

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".

Forward Agreement

Prior to the unwind, the Forward Agreement was 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 would be based on the net asset value (NAV) of the Trust. The Forward Agreement was categorized as held for trading and changes in fair value were 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 of deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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 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.

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.

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 equity.

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.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

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 continue to meet its investment objective, on November 10, 2015, the Fund entered into a novation agreement with the Bank of Nova Scotia (the "Counterparty") becoming party to the December 20, 2010 total return swap ("TRS Facility") with 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. Effective December 19, 2015, the spread of 1.00% was increased to 1.10%. 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

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 April 19, 2016, 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 December 31, 2015, the Fund has \$98,000,277 on deposit with the Counterparty as credit support. Prior to the Forward Agreement being unwound, the deposit was held in OCP Credit Trust along with the portfolio securities. The amount on deposit by OCP Credit Trust as at December 31, 2014 was \$103,359,818. Interest earned on the collateral is paid to the Fund and is included as interest income 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 December 31, 2015:

Sale	Amount		Purchase	Contract Price	Settlement date	Unrealized foreign exchange gain (loss) on contract	
	\$	\$					\$
USD	132,232,000		CAD	181,700,652	0.73	January 15, 2016	(1,273,832)
							(1,273,832)

The Fund has \$nil (OCP Credit Trust – December 31, 2014 – \$817,526) on deposit with the foreign currency counterparty as credit support. Interest earned on the collateral is paid to the Fund and is included as interest income in the Statements of Comprehensive Income.

The foreign currency counterparty is rated A+ by Standard & Poor's (OCP Credit Trust – December 31, 2014 – A–).

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

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.

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

As at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments held long (Bank Debt)	–	85,064,796	–	85,064,796
	–	85,064,796	–	85,064,796

	Level 1	Level 2	Level 3	Total
Financial Liabilities				
Total Return Swap	–	6,511,564	–	6,511,564
Forward contract	–	1,273,832	–	1,273,832
	–	7,785,396	–	7,785,396

As at December 31, 2014, the Fund's financial assets included the Forward Agreement of \$243,025,044 which was classified as Level 2, and the Fund did not hold any financial liabilities at fair value.

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 years ended December 31, 2015 and 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 years ended December 31, 2015 and 2014, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

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

6. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with attractive, quarterly distributions 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).

7. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

Prior to the Forward Unwind, the Manager was 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 were calculated daily and paid monthly in arrears. Post Forward Unwind, the Manager is entitled to an annual management fee of 1.50% based on the NAV of the Fund, calculated daily and paid monthly in arrears. During the year ended December 31, 2015, the Fund incurred management fees of \$1,360,057 (December 31, 2014 – \$1,360,712) of which \$233,468 (December 31, 2014 – \$111,581) was owing at December 31, 2015.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

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.

Under the Forward Agreement, the Fund paid to the Counterparty an annual fee as negotiated with the Counterparty, of the notional amount of the Forward Agreement (being equal to the NAV of the Trust), 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.

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 the 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 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 years ended December 31 are summarized as follows:

	2015 #	2014 #
Redeemable units outstanding, beginning of year	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 year	19,493,590	24,275,577

Under a normal course issuer bid, which will expire on July 16, 2016, 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, 2015, no units (2014 – 126,600 units) were purchased under this normal course issuer bid (average price 2014 – \$10.06). 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.

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 of the Fund 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.

Subsequent to the Forward Unwind, the Portfolio was held directly by the Fund whereas prior to the Forward Unwind, the Fund obtained exposure to the Portfolio held in the Trust through the Forward Agreement. As such, 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.

Prior to the Forward Unwind Fund the Fund was exposed to the credit risk associated with the Counterparty. As at December 31, 2014, the credit exposure was \$247,225,044 and was represented by the NAV of the Trust and amounts owing from the Counterparty under the Forward

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

Agreement. The possibility existed that the Counterparty would default on its obligations under the Forward Agreement. This risk was managed by dealing with a counterparty that the Manager believed to be creditworthy and through regular monitoring of credit exposures. As at December 31, 2014, the Counterparty had a credit rating of A+ by S&P.

The Fund invests primarily in 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 Fund 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, 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 Fund's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2015 was \$22,840,692 representing 12.96% of the net assets of the Fund (December 31, 2014 – \$22,013,350 or 9.06% of the Trust's net assets).

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

	As a % of Net Assets	
	December 31, 2015	December 31, 2014
A	1.54	2.96
BBB	3.53	1.35
BB	39.70	38.88
B	91.24	106.78
CCC	8.54	19.32
D	7.49	–
NR*	6.36	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 Fund has financial liabilities outstanding including accounts payable and accrued liabilities, payable for investments purchased, interest payable and distributions payable. These financial liabilities are all current and are expected to be settled within three months. The Fund's financial liabilities also include forward currency contracts to be settled on January 15, 2016 (Note 4) and a total return swap with a scheduled ramp-down date of April 19, 2016 (Note3). The Fund expects to have sufficient liquid assets to settle these financial liabilities.

Redeemable units are redeemable at the holder's option subject to the conditions outlined in Note 8. 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.

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 investments that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund, and also holds foreign currency denominated cash and other net assets. Consequently, the Fund is exposed to currency risk as the fair value of the investments and net assets denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the years ended December 31, 2015 and 2014, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Fund's foreign denominated investments and net assets are hedged back to the Canadian dollar.

OCP SENIOR CREDIT FUND

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 December 31, 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, which is available on SEDAR. 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's objectives in managing its capital in respect of the units are to provide unitholders with attractive quarterly distributions 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 9 while maintaining sufficient liquidity to meet distributions and redemptions.

11. 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.

12. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the years ended December 31, 2015 and 2014 is calculated as follows:

	2015	2014
Profit (loss) for the year	\$(4,768,777)	\$8,807,598
Weighted average units outstanding during the year	21,432,587	26,247,836
Earnings (loss) per unit	\$(0.22)	\$0.34

161 Bay Street, 49th Floor
Toronto Ontario M5J 2S1
(647) 260-4055 or (877) 260-4055
www.ocpcreditstrategy.com • info@ocpfunds.com
