

OCP SENIOR CREDIT FUND

Interim Management Report of Fund Performance for the period
January 1, 2016 to June 30, 2016

Fund:

OCP Senior Credit Fund

Units:

Listed TSX: OSL.UN

Period:

January 1, 2016 to June 30, 2016

Manager:

Onex Credit Partners, LLC

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Notes:

1. This Interim Management Report of Fund Performance contains financial highlights but does not contain the complete Interim Financial Statements of the Fund. You can get a copy of the Interim Financial Statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at www.sedar.com. Holders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at June 30, 2016.
4. None of the websites that are referred to in this Interim Management Report of Fund Performance, nor any of the information on any such websites, are incorporated by reference in this Interim Management Report of Fund Performance.

Investment Objectives and Strategies

The Fund invests in 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. Onex Credit Partners, LLC (the "Manager") is the manager of the Fund and also manages the Portfolio. 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 Manager seeks to generate attractive risk-adjusted returns and stable income through a long only strategy focused on senior secured loans and other senior debt obligations of non-investment grade issuers that the Manager believes have strong market positions, attractive and sustainable business models and high quality management teams. In pursuit of its objectives, the Fund anticipates it will employ leverage up to 40% of its total assets.

Results of Operations

For the six-month period ended June 30, 2016, net assets per unit of the Fund was \$9.42 after distributions to securityholders of \$0.25 per unit compared to \$9.04 on December 31, 2015. Total return for the Fund was 7.0% over the period.

The Fund's net assets were \$139.6 million as at June 30, 2016, a decrease from \$176.3 million as at December 31, 2015. Factors contributing to this decrease include: (i) redemptions of \$44.5 million; and (ii) cash distributions to securityholders of \$4.3 million. This was offset in part by net income and net gains on investments of \$12.1 million.

The Fund was initially created to provide securityholders with tax-advantaged returns through the use of a forward agreement entered into between the Fund and a Canadian chartered bank on November 19, 2010 (the "Forward Agreement"). The Forward Agreement provided securityholders with indirect exposure to a portfolio of assets held by OCP Credit Trust. As a result of changes to the Income Tax Act (Canada) (the "Tax Act"), the Forward Agreement was terminated on November 19, 2015 (the "Forward Termination Date"), and the portfolio of assets held by OCP Credit Trust was transferred to the Fund through a series of transfers commencing on November 10, 2015 (the "Forward Unwind").

In connection with the Forward Unwind the Fund's investment objectives were amended 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 OCP Credit Trust prior to the Forward Termination Date.

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 OCP Credit Trust.

As a result of the Forward Unwind and the Portfolio now being held by the Fund directly, the Fund had higher investment income as compared to the prior period. Similarly, there are new balances recorded on the current period financial statements that are a direct result of normal course Portfolio related activity.

During the period, performance was driven primarily by a recovery in the leveraged loan market (CS-Leveraged Loan Index increased +4.2% during the period), and credit markets broadly, and moderate leverage in the portfolio. Through active management of the portfolio, the allocation to leveraged loans increased and the relatively small allocation to bonds declined. The portfolio is slightly more levered than at December 2015 (1.7x versus 1.6x).

The composition and changes to the composition of the Portfolio in the period were consistent with the investment objectives and overall strategy of the Fund. Capital was deployed primarily in floating rate, senior loan positions that the Manager assesses to be larger and more actively traded names. Investments were selected for their strong asset coverage and/or cash flow coverage, among other criteria.

The year began much the same way 2015 ended, with tremendous volatility in the credit markets, although the market entered a period of modest recovery and stability at the end of the first quarter. In June of 2016, Brexit concerns caused market participants to exercise caution and briefly tempered positive momentum. In the early part of July, markets resumed some stability but it remains to be seen what the long-term effects of the Brexit decision will be on the credit markets. Continued volatility in oil prices, beyond the market's current priced in expectations, could also bring volatility to the credit markets. The Manager continues to find attractive opportunities to augment the portfolio and is monitoring global events and potential impacts closely.

Recent Developments

Based on the improvement in the non-investment grade debt markets to date, the Manager is optimistic but remains cautious as they expect continued market volatility surrounding issues such as Brexit, economic growth prospects both in the U.S. and abroad and interest rates, as well as other currently unforeseen economic and market specific factors. As well, risk-adjusted returns have improved.

Related Party Transactions

The Manager and the Fund are deemed to be related parties. Please refer to the section titled "Management Fees", which outlines the fees paid to the Manager. The Manager and the Fund were not party to any other related party transactions during the period ended June 30, 2016.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

THE FUND'S NET ASSETS PER UNIT ⁽¹⁾

	2016	2015	2014	2013	2012	2011
Net Assets, beginning of period	\$9.04	\$10.05	\$10.25	\$9.75	\$8.97	\$9.48
Increase (decrease) from operations:						
Total revenue	0.46	0.13	0.00	0.00	0.00	0.00
Total expenses	(0.17)	(0.17)	(0.13)	(0.11)	(0.10)	(0.10)
Realized gains (losses) for the period	0.11	3.32	0.78	0.24	0.10	(0.01)
Unrealized gains (losses) for the period	0.25	(3.50)	(0.31)	0.87	1.28	0.15
Total increase (decrease) from operations ⁽²⁾	0.65	(0.22)	0.34	1.00	1.28	0.04
Distributions:						
From income (excluding dividends)	(0.25)	0.00	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00	0.00
From capital gains	0.00	(1.14)	0.00	0.00	0.00	0.00
Return of capital	0.00	0.00	(0.50)	(0.50)	(0.50)	(0.56)
Total Distributions ⁽³⁾	(0.25)	(1.14)	(0.50)	(0.50)	(0.50)	(0.56)
Net Assets, end of period ⁽⁴⁾	\$9.42	\$9.04	\$10.05	\$10.25	\$9.75	\$8.97

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual and unaudited interim financial statements. The Fund adopted IFRS on January 1, 2014. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which requires that if an asset or liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. Accordingly, the opening net assets as at January 1, 2013 was restated to reflect the accounting policy adjustments made in accordance with IFRS. All figures presented for periods prior to January 1, 2013 remain in accordance with Canadian GAAP.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ Distributions were paid in cash, or reinvested in additional units of the Fund.

⁽⁴⁾ This is not a reconciliation of the beginning and ending net assets per unit.

RATIOS AND SUPPLEMENTAL DATA

	2016	2015	2014	2013	2012	2011
Total Net Asset Value (000s) ⁽¹⁾	\$139,599	\$176,271	\$244,015	\$299,075	\$309,258	\$304,363
Number of units outstanding ⁽¹⁾	14,815,741	19,493,590	24,275,577	29,176,493	31,712,469	33,945,500
Management expense ratio ⁽²⁾	3.79%	3.63%	3.32%	3.52%	3.36%	3.40%
Management expense ratio before waivers or absorptions	3.79%	3.63%	3.32%	3.52%	3.36%	3.40%
Trading expense ratio ⁽³⁾	0.00%	0.24%	0.27%	0.27%	0.28%	0.27%
Portfolio turnover rate ⁽⁴⁾	25.38%	5.23%	N/A	N/A	N/A	N/A
Net Asset Value per unit	\$9.42	\$9.04	\$10.05	\$10.25	\$9.75	\$8.97
Closing market price	\$9.14	\$8.84	\$9.73	\$10.03	\$9.85	\$8.71

Notes:

- ⁽¹⁾ This information is provided as at December 31 of the year shown, except 2016 which is provided as at June 30.
- ⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and, except as stated in the following sentence, is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period ended December 31, 2011 includes agents' fees and other offering expenses, which are one time expenses and therefore are not annualized. Total expenses also include interest expense related to the leverage employed by OCP Credit Trust for the period prior to the Forward Termination Date or by the Fund post Forward Termination Date. The MER for the periods ended June 30, 2016, December 31, 2015, 2014, 2013, 2012 and 2011, excluding agents' fees and offering expenses and interest expense are 2.28%, 2.35%, 2.27%, 2.28%, 2.29% and 2.30%, respectively.
- ⁽³⁾ The trading expense ratio represents total commissions, forward agreement fees and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. Post Forward Termination Date, the Fund no longer pays any forward agreement fees.
- ⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's investment adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund. For the period prior to the Forward Termination Date, the Fund's return was linked, by virtue of a Forward Agreement, to the performance of a portfolio comprised primarily of senior secured loans and other senior debt obligations of non investment grade North American issuers, and consequently, the portfolio turnover rate did not apply to the Fund.

Management Fees

The Manager is responsible for providing or arranging for all investment advisory and portfolio management services required by the Fund including, without limitation, managing the Portfolio in a manner consistent with the investment objectives, guidelines and restrictions of the Fund and for arranging for the execution of all portfolio transactions. The Manager is also responsible for the operational and administrative functions of the Fund. As compensation for the management services rendered to the Fund, the Manager is entitled to receive an annual management fee from the Fund. For the period after the Forward Unwind, the management fee earned by the Manager is 1.50% of the net asset value of the Fund, calculated daily and paid monthly in arrears.

Prior to the Forward Unwind, the management fee earned by the Manager consisted of an amount equal to the sum of (i) 0.50% of the net asset value of the Fund and (ii) 1.00% of the net asset value of OCP Credit Trust, also calculated daily and paid monthly in arrears.

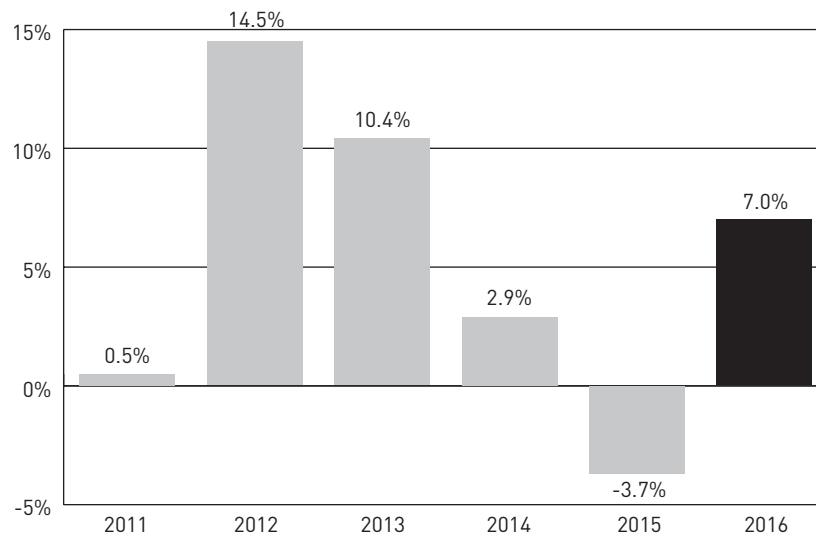
The Manager has retained FA Administration Services Inc. to provide certain administrative services to the Fund. The Manager pays FA Administration Services Inc. out of its management fee.

Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Also note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS ⁽¹⁾

The following bar chart shows the Fund's annual performance for the periods shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



⁽¹⁾ Returns are based on net asset value per unit.

⁽²⁾ Return for the period January 1, 2016 to June 30, 2016.

Summary of Investment Portfolio

As at June 30, 2016, one of the portfolio holdings in the Fund is a total return swap. The following is a summary of the Fund's portfolio as at June 30, 2016 assuming that the underlying assets of the total return swap were held directly by the Fund. This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on www.ocpseniorcredit.com.

The percentages set forth in this Summary of Investment Portfolio may vary from the percentages set forth in the monthly updates prepared by the Fund. Chief among the reasons for the variance is that (i) the sector allocation in the summary is based on a percentage of net asset value and the monthly updates are based on a percentage of invested capital (direct investments plus exposure under the total return swap) and (ii) the summary reflects cash held by the Trust and the monthly update reflects only the direct investments held by the Trust plus exposure under the total return swap. Securityholders can obtain additional information by visiting our website at www.ocpseniorcredit.com.

TOP 25 HOLDINGS AS AT JUNE 30, 2016

Description	% of Net Asset Value
Long Positions	
Cash including cash on deposit with brokers as collateral	71.58
Navistar Inc.	12.68
Alon USA Partners, LP	9.71
Altegrity Inc.	8.97
Albertson's, LLC	8.24
Brand Energy & Infrastructure Services Inc.	7.04
Federal Mogul Corporation	6.94
Caesars Entertainment Resort Properties LLC	6.70
Ascend Learning Inc.	6.59
Eastman Kodak Company	6.26
Ceva Group PLC	6.15
YRC Worldwide Inc.	6.03
McGraw-Hill Global Education Holdings, LLC	5.84
Stena International S.A.	5.46
Gates Global LLC	5.15
Supervalu Inc.	5.14
Ion Media Networks, Inc.	4.28
JC Penney Corporation Inc.	4.04
Avaya Inc.	3.79
Vizient, Inc.	3.70
Creative Artists Agency	3.63
STG-Fairway ACQ Inc.	3.59
Commercial Barge Line Company	3.16
PSAV (AVSC Holding Corporation)	2.77
Aveta Inc.	2.24
Total Net Asset Value	139,598,743

SECTOR ALLOCATION AS AT JUNE 30, 2016

Industry	% of Net Asset Value
Long Positions	
Cash including cash on deposit with brokers as collateral	71.58
Business Services	25.99
Retail	18.89
Trucking	18.71
Automobiles	13.42
Technology	12.74
Energy	12.17
Transportation/Logistics	11.61
Media	11.21
Healthcare	8.70
Education	8.41
Gaming/Leisure	7.62
Telecom	4.24
Energy Service	3.83
Shipping – Jones Act	3.16
Metals/Minerals	2.49
Chemicals	2.15
Housing/Building Products	1.35
Manufacturing	0.96
Service	0.16

Portfolio Composition	% of Net Asset Value
Long Positions	
Bank debt	150.63
Cash including cash on deposit with brokers as collateral	71.58
Bonds	17.2

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