

OCP SENIOR CREDIT FUND

Annual Financial Statements for the year ended
December 31, 2016

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 27, 2017 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 27, 2017



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 27, 2017

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, 2016 and December 31, 2015, 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 the entity's preparation and fair presentation of 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, 2016 and December 31, 2015, 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 27, 2017
Toronto, Ontario

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INTERNATIONAL

OCP SENIOR CREDIT FUND

STATEMENTS OF FINANCIAL POSITION

As at (stated in Canadian dollars)

	December 31, 2016 \$	December 31, 2015 \$
ASSETS		
Investments held long	62,111,306	85,064,796
Unrealized gain on total return swap <i>[Note 3]</i>	4,562,208	-
Cash and cash equivalents	21,202,134	14,853,020
Cash on deposit with brokers as collateral <i>[Note 3]</i>	76,355,118	98,000,277
Receivable for investments sold	31,756	10,393,110
Interest and other receivables	2,768,506	4,191,872
Total Assets	167,031,028	212,503,075
LIABILITIES		
Unfunded bank debt commitments	3,437	-
Unrealized loss on total return swap <i>[Note 3]</i>	-	6,511,564
Unrealized loss on forward contracts <i>[Note 4]</i>	2,192,412	1,273,832
Accounts payable and accrued liabilities <i>[Note 7]</i>	493,986	697,763
Payable for total return swap	6,294,456	13,281,164
Payable for investments purchased	2,542,939	8,716,301
Interest payable	228,483	211,137
Distributions payable <i>[Note 6]</i>	1,851,968	5,540,078
Total Liabilities	13,607,681	36,231,839
EQUITY		
Unit capital	108,817,342	143,174,793
Retained earnings	44,606,005	33,096,443
Total Equity	153,423,347	176,271,236
Total Liabilities and Equity	167,031,028	212,503,075
Number of Units Outstanding <i>[Note 8]</i>	14,815,741	19,493,590
Total Equity/Net Assets per unit	\$10.36	\$9.04

See accompanying notes.

OCP SENIOR CREDIT FUND

STATEMENTS OF COMPREHENSIVE INCOME

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

	2016 \$	2015 \$
INCOME		
Investment Income		
Interest for distribution purposes	16,848,037	2,845,777
	16,848,037	2,845,777
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FORWARD AGREEMENTS		
Foreign currency gain (loss)	(2,900,881)	4,381,567
Other net changes in fair value of investments and Forward Agreement		
Net realized gain (loss) on investments	(203,109)	494,213
Net realized gain (loss) on total return swap	1,148,618	(227,138)
Net realized gain (loss) on forward contracts	5,099,839	(6,817,198)
Net realized gain (loss) on Forward Agreement	-	73,318,353
Net change in unrealized appreciation (depreciation) of investments	5,733,952	(796,168)
Net change in unrealized appreciation (depreciation) of derivatives	10,155,192	(7,785,396)
Net change in unrealized appreciation (depreciation) of Forward Agreement	-	(66,541,545)
	35,881,648	(1,127,535)
EXPENSES		
Interest expense	2,511,526	343,415
Management fees <i>[Note 7]</i>	2,394,373	1,360,057
Dealer Service fees <i>[Note 7]</i>	632,227	856,606
Harmonized sales tax	280,612	228,320
Custodian and valuation fees	166,391	74,158
Securityholder reporting costs	76,844	106,235
Other administration costs	58,194	15,642
Legal fees	36,041	92,753
Audit fees	33,021	14,389
Independent Review Committee fees	18,945	13,932
Trustee Fees	9,000	10,245
Transaction costs <i>[Note 7]</i>	1,518	525,490
Total Expenses	6,218,692	3,641,242
Profit (loss) and total comprehensive income (loss) for the year	29,662,956	(4,768,777)
Profit/(loss) per unit <i>[Note 12]</i>	\$1.77	(0.22)

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, 2016	143,174,793	33,096,443	176,271,236
Changes in equity for 2016:			
Profit (loss) for the year	-	29,662,956	29,662,956
Reinvestment of dividends/distributions	-	4,010,621	4,010,621
Redemption of units	(34,357,451)	(10,160,792)	(44,518,243)
Distributions to unitholders			
Income	-	(11,779,473)	(11,779,473)
Capital gains	-	(223,750)	(223,750)
As at December 31, 2016	108,817,342	44,606,005	153,423,347
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

See accompanying notes.

OCP SENIOR CREDIT FUND

STATEMENTS OF CASH FLOWS

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

	2016 \$	2015 \$
Cash Flows from Operating Activities		
Profit (loss) for the year	29,662,956	(4,768,777)
Adjustments for:		
Net realized (gain) loss on investments	203,109	(494,213)
Net realized (gain) loss on total return swap	(1,148,618)	227,138
Net realized (gain) loss on forward contracts	(5,099,839)	6,817,198
Net realized (gain) loss on Forward Agreement	-	(73,318,353)
Net change in unrealized (appreciation) depreciation on investments	(5,733,952)	796,168
Net change in unrealized (appreciation) depreciation on derivatives	(10,155,192)	7,785,396
Net change in unrealized (appreciation) depreciation of Forward Agreement	-	66,541,545
Changes in working capital		
(Increase) decrease in cash on deposit with brokers as collateral	21,645,159	(98,000,277)
(Increase) decrease in interest and other receivables	1,423,366	(4,191,872)
Increase (decrease) in interest payable	17,346	211,137
Increase (decrease) in accounts payable and accrued liabilities	(203,777)	62,763
Increase (decrease) in payable for total return swap	(6,986,708)	13,281,164
Purchase of investments	(42,561,529)	(3,054,223)
Proceeds from sales of investments	75,237,293	2,187,550
Proceeds from (to) settlement of forward contracts and derivatives	6,248,455	(7,044,337)
Net Proceeds from Forward Agreement	-	167,824,966
Net Cash Generated (Used) by Operating Activities	62,548,069	74,862,973
Cash Flows from Financing Activities		
Distributions to unitholders	(11,680,712)	(10,942,292)
Amount paid on redemption of units	(44,518,243)	(49,526,642)
Net Cash Generated (Used) by Financing Activities	(56,198,955)	(60,468,934)
Net increase (decrease) in cash and cash equivalents	6,349,114	14,394,039
Cash and cash equivalents beginning of period	14,853,020	458,981
Cash and Cash Equivalents end of year	21,202,134	14,853,020
Interest received, net of withholding tax	18,000,667	1,679,746
Interest paid	(2,494,180)	(196,099)

See accompanying notes.

OCP SENIOR CREDIT FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2016 (stated in Canadian dollars)

Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
LONG POSITIONS					
PREFERRED STOCK					
877	Alpha Natural Resources Holdings, Inc. PFD		12	6,358	
877	Alpha Natural Resources Inc. PFD USD		1,154	23,546	
Total Preferred Stock			1,166	29,904	0.05%
BANK DEBT					
3,132,150	ADG, LLC., Initial Term Loan	September 28, 2023	4,064,876	4,162,707	
3,431,185	Alon USA Partners, LP, Term Loan B	November 26, 2018	4,399,747	4,583,164	
145,825	Alpha Natural Resources, Inc.		–	9,788	
490,838	Avaya Inc., Term Loan B6	March 31, 2018	549,564	572,441	
931,468	Azure Midstream Energy, Term Loan	November 15, 2018	939,117	1,150,414	
595,158	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	748,576	806,760	
2,149,301	CITGO Holding, Inc., Term Loan	May 12, 2018	2,840,593	2,919,953	
406,000	Cortes NP Acquisition Corporation (Vertiv Co.), Initial Term Loan	November 30, 2023	516,889	548,668	
565,583	CRCI Holdings, Inc., Initial Term Loan	August 31, 2023	734,344	758,792	
6,904,439	Eastman Kodak Company, Term Loan	September 3, 2019	8,640,354	9,303,622	
494,885	Gardner Denver, Inc., Initial Dollar Term Loan	July 30, 2020	568,814	656,469	
779,429	Gates Global, LLC., Initial Dollar Term Loan	July 6, 2021	969,682	1,046,181	
4,046,207	HGIM Corporation, Term Loan B	June 18, 2020	2,690,032	4,218,724	
591,000	Intelsat Jackson Holdings S.A., Term Loan B-2	June 30, 2019	729,039	766,045	
737,153	Meter Readings Holdings, LLC., Initial Term Loan (First Lien)	August 29, 2023	933,831	1,006,908	
675,308	Milk Specialties Company, Initial Term Loan	August 16, 2023	870,592	919,032	
6,010,976	Navistar Inc., Term Loan B	August 7, 2020	7,485,710	8,168,285	
538,359	Ortho-Clinical Diagnostics Holdings Luxembourg S.À R.L. Initial Term Loan	June 30, 2021	645,718	716,170	
746,360	Petco Animal Supplies, Inc., Tranche B-1 Term Loan	January 26, 2023	961,312	1,008,492	
851,865	Pet Holdings ULC., Initial Term Loan	July 5, 2022	1,102,169	1,143,586	
1,899,000	Quikrete Holdings, Inc., Initial Loan (First Lien)	November 15, 2023	2,516,136	2,571,089	
675,308	Safway Group Holdings LLC Initial Term Loan	August 21, 2023	870,592	919,032	
351,460	Securus Technologies Holdings, Inc., Initial Term Loan (First Lien)	April 30, 2020	363,799	467,492	
945,000	Telesat Canada Term B-3 Loan	November 17, 2023	1,252,748	1,287,644	
1,466,438	TI Group Automotive Systems, LLC., Initial US Term Loan	June 30, 2022	1,930,777	1,993,227	
969,015	TMS International Corporation, Term Loan B	October 16, 2020	1,195,505	1,305,732	
313,594	TNS Inc. (Transaction Network Services, Inc.), Initial Term Loan (First Lien)	February 14, 2020	414,712	424,317	
171,140	Trugreen LP, Initial Term Loan (First Lien)	April 13, 2023	219,178	232,619	

OCP SENIOR CREDIT FUND

SCHEDULE OF INVESTMENT PORTFOLIO continued

As at December 31, 2016 (stated in Canadian dollars)

Par Value (US\$)	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
1,688,000	Tweddle Group, Inc., Closing Date Term Loan	October 24, 2022	2,187,650	2,243,395	
281,000	Vistra Operations Company LLC (fka Tex Operations Company LLC), 2016 Incremental Term Loan	December 14, 2023	372,151	381,590	
2,951,000	Vistra Operations Company LLC (fka Tex Operations Company LLC), Initial Term Loan	August 4, 2023	3,852,277	3,991,282	
673,000	Vistra Operations Company LLC (fka Tex Operations Company LLC), Initial Term C Loan	August 4, 2023	878,544	914,197	
735,406	Westmoreland Coal Company, Term Loan	December 16, 2020	726,811	883,585	
Total Bank Debt			57,171,839	62,081,402	103.61%
Total Investments held long			57,173,005	62,111,306	103.66%
SHORT POSITIONS					
UNFUNDED BANK DEBT COMMITMENTS					
256,000	ADG, LLC., Delayed Draw Term Loan	September 28, 2023	(1,678)	(3,437)	
95,000	Pet Holdings ULC., Delayed Draw Term Loan	July 5, 2022	(1,242)	-	
Total Unfunded Bank Debt Commitments			(2,920)	(3,437)	0.00%
FORWARD CONTRACTS					
	United States Dollars				
	Forward currency contract				
	January 13, 2017 [Note 4]			(2,192,412)	(3.66)%
Total Forward Contracts			-	(2,192,412)	(3.66)%
Total Investments			57,170,085	59,915,457	100.00%

See accompanying notes.

OCP SENIOR CREDIT FUND

SCHEDULE OF TOTAL RETURN SWAP

As at December 31, 2016

Par value (US\$)	Description	Maturity Date	Average Cost (US\$)	Fair Value (US\$)
BONDS				
643,000	Alliance One Intl Inc., 8.5%	April 15, 2021	637,117	652,645
8,655,000	Altegrity, Inc., 9.500%	July 1, 2019	7,984,238	8,893,013
1,592,000	Avaya Inc., 9.000%	April 1, 2019	1,273,600	1,404,940
700,000	K Hovnanian Enterprises, 7.250%	October 15, 2020	654,500	659,960
590,000	PQ Corporation, 6.750%	November 15, 2022	590,000	631,300
2,198,000	Stena International SA, 5.750%	March 1, 2024	1,928,744	1,901,270
Total Bonds			13,068,199	14,143,128
BANK DEBT				
2,191,974	Albertson's LLC, Term Loan B-5	December 21, 2022	2,191,974	2,222,506
2,072,334	Albertson's LLC, Term Loan B-6	June 22, 2023	2,072,334	2,100,829
7,110,521	Alon USA Partners, LP, Term Loan B	November 26, 2018	7,074,969	7,074,969
317,302	Arch Coal Inc., Term Loan	October 5, 2021	317,302	321,533
7,087,928	Ascend Learning LLC, Term Loan (First Lien)	July 31, 2019	7,082,024	7,135,183
3,502,745	Avaya Inc., Term Loan B6	March 31, 2018	2,958,068	3,043,009
3,012,135	AVSC Holding Corporation, Initial Term Loan	January 25, 2021	2,952,193	3,008,370
7,790,779	Brand Energy & Infrastructure Services Inc., Term Loan	November 26, 2020	7,355,796	7,715,653
6,946,292	Caesars Entertainment Resort Properties, LLC, Term Loan B	October 11, 2020	6,642,044	7,014,018
2,247,344	Ceva Group PLC Pre-funded L/C, Term Loan	March 19, 2021	1,962,679	1,828,776
2,304,753	Ceva Intercompany Dutch BV, Term Loan	March 19, 2021	2,012,817	1,875,493
397,371	Ceva Logistics Canada, ULC Canadian Term Loan	March 19, 2021	347,037	323,361
3,178,970	Ceva Logistics U.S. Holdings Inc., US Term Loan	March 19, 2021	2,776,299	2,586,887
3,619,000	Commercial Barge Line Company, Initial Term Loan	November 12, 2020	3,429,003	3,401,860
3,920,377	Creative Artists Agency LLC, Term Loan	December 17, 2021	3,920,377	3,964,480
1,000,000	CVENT, Inc., Term Loan	November 29, 2023	990,000	1,007,500
3,221,925	DTI Holdco Inc., Initial TL	October 2, 2023	3,189,706	3,173,596
939,880	Duke Finance LLC, Dollar Term B Loan (First Lien)	October 28, 2021	845,892	939,880
1,426,744	Exgen Texas Power, LLC, Term Loan	September 18, 2021	1,102,160	1,080,759
6,105,967	Federal Mogul Corporation, Tranche C Term Loan	April 15, 2021	5,541,165	6,035,369
5,058,475	Gates Global LLC, Initial Dollar Term Loan	July 6, 2021	4,747,859	5,057,686
1,226,835	GTCR Valor Companies, Inc., Initial Term Loan (First Lien)	June 16, 2023	1,177,762	1,210,579
4,378,940	JC Penney Corporation Inc., Term Loan	June 23, 2023	4,357,045	4,399,008
6,301,335	McGraw-Hill Global Education Holdings, LLC, Term Loan B	May 4, 2022	6,269,828	6,299,760
1,538,854	MMM Holdings, Inc., Term Loan	June 30, 2019	1,438,829	1,508,077
1,118,739	MSO Of Puerto Rico Inc., TL	June 30, 2019	1,046,021	1,096,364
847,875	Prime Security Services Borrower, LLC, Term Loan (aka Protection 1 Security Solutions) Term B-1 Loan (First Lien)	May 2, 2022	847,875	860,329
2,029,074	ProQuest LLC, Initial Term Loan	October 24, 2021	1,978,347	2,032,878
1,865,000	Quest Software US Holdings Inc., Initial TL (First Lien)	October 31, 2022	1,837,025	1,887,380
3,306,000	Quikrete Holdings, Inc., Initial Term Loan	November 15, 2023	3,289,470	3,334,240
3,961,393	STG-Fairway ACQ, Inc., Term Loan	June 30, 2022	3,897,020	3,842,551
1,000,000	Strike LLC TL	November 30, 2022	970,000	975,000
2,158,312	Supervalu Inc., Term Loan	March 21, 2019	2,150,758	2,172,138
1,917,748	TNS Inc. (Transaction Network Services, Inc.), Initial Term Loan (First Lien)	February 14, 2020	1,908,159	1,932,931
740,625	University Support Services LLC (St. George's University Scholastic Services LLC), Term Loan	July 6, 2022	729,516	744,791
1,433,022	VCVH Holding Corp. Initial Term Loan (First Lien)	June 1, 2023	1,418,692	1,425,857
3,299,424	Veritas US Inc., Initial Dollar Term B-1 Loan	January 27, 2023	2,847,821	3,038,219
440,000	Vivid Seats LLC. Initial Term Loan (First Lien)	October 12, 2022	431,200	436,700
3,519,412	Vizient Inc., Term Loan B2	February 13, 2023	3,519,412	3,567,804
7,059,095	YRC Worldwide Inc., Term Loan	February 13, 2019	6,706,140	6,979,679
Total Bank Debt			116,332,618	118,656,002
Total Bonds and Bank Debt			129,400,817	132,799,130
Unrealized gain on total return swap (US\$)				3,398,313
Unrealized gain on total return swap (C\$)				4,562,208

See accompanying notes

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 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 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, 2016 were authorized for issue by the Manager on March 27, 2017.

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,

NOTES TO FINANCIAL STATEMENTS continued

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.

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. Assets are classified as loans and receivables and liabilities are classified as other financial liabilities. Included in loans and receivables are 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 due to their short term nature.

(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

NOTES TO FINANCIAL STATEMENTS continued

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.

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.

NOTES TO FINANCIAL STATEMENTS continued

Income and expense recognition

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

Net realized gain/loss on 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.

Profit (loss) Per Unit

Profit (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. 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.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

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% and effective April 19, 2016 the spread of 1.10% was increased to 1.20%. 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, 2017, 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, 2016, the Fund has \$76,355,118 on deposit with the Counterparty as credit support (2015 – \$98,000,277). 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, 2016:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	115,800,000	CAD	153,235,245	0.76	January 13, 2017	(2,192,412)
						(2,192,412)

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

As at December 31, 2015:

Sale	Amount \$	Purchase	Amount \$	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 (2015 – nil) 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 BBB+ by S&P Global Rating (2015 – BBB+).

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. These inputs may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities or other market corroborated inputs.
- 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, 2016:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets				
Bank Debt	–	62,081,402	–	62,081,402
Preferred Stock	–	29,904	–	29,904
Total Return Swap	–	4,562,208	–	4,562,208
	–	66,673,514	–	66,673,514

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Liabilities				
Unfunded Bank Debt Commitment	-	3,437	-	3,437
Forward contract	-	2,192,412	-	2,192,412
	-	2,195,849	-	2,195,849

As at December 31, 2015:

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial Assets				
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

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, 2016 and 2015, 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, 2016 and 2015, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

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

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).

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

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 years ended December 31, 2016, the Fund incurred management fees of \$2,394,373 (2015 – \$1,360,057) of which \$195,994 was owing at December 31, 2016 (2015 – \$233,468).

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.

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:

	2016 #	2015 #
Redeemable units outstanding, beginning of year	19,493,590	24,275,577
Redemption of redeemable units	(4,677,849)	(4,781,987)
Redeemable units outstanding, end of year	14,815,741	19,493,590

Under a normal course issuer bid, which will expire on July 17, 2017, 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 can be repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). During the years ended December 31, 2016 and 2015, no units were purchased under this normal course issuer bid. 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.

NOTES TO FINANCIAL STATEMENTS continued**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.

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, 2016 and 2015.

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, 2016 was \$14,080,955 representing 9.18% of the net assets of the Fund (2015 – \$22,840,692 or 12.96%).

As at December 31, 2016 and 2015, exposure to debt securities by credit rating is as follows:

	As a % of Net Assets	
	December 31, 2016	December 31, 2015
A	-	1.54
BBB	-	3.53
BB	33.74	39.70
B	97.13	91.24
CCC	22.79	8.54
D	-	7.49
NR*	2.99	6.36

* Not rated by S&P Global Rating

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.

NOTES TO FINANCIAL STATEMENTS continued

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 13, 2017 (Note 4) and a total return swap with a scheduled ramp-down date of April 19, 2017 (Note 3). 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. As at December 31, 2016 and 2015, 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.

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, 2016 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.

OCP SENIOR CREDIT FUND

NOTES TO FINANCIAL STATEMENTS continued

12. PROFIT (LOSS) PER UNIT

Profit (loss) per unit for the years ended December 31, 2016 and 2015 is calculated as follows:

	2016	2015
Profit (loss) for the year	\$29,662,956	\$(4,768,777)
Weighted average units outstanding during the year	16,745,498	21,432,587
Profit (loss) per unit	\$1.77	\$(0.22)

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