

OCP SENIOR CREDIT FUND

Annual Management Report of Fund Performance for the year ended
December 31, 2016

Fund:

OCP Senior Credit Fund

Units:

Listed TSX: OSL.UN

Period:

January 1, 2016 to December 31, 2016

Manager:

Onex Credit Partners, LLC

910 Sylvan Avenue

Englewood Cliffs, New Jersey

U.S.A. 07632

(647) 260-4055 or (877) 260-4055

www.ocpseniorcredit.com • info@ocpfunds.com

Notes:

1. This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual Financial Statements of the Fund. You can get a copy of the Annual 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 December 31, 2016.
4. None of the websites that are referred to in this Annual Management Report of Fund Performance, nor any of the information on any such websites, are incorporated by reference in this Annual 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.

Risks

There were no changes to the Fund over the period of this report that affected the overall level of risk associated with an investment in the Fund. Securityholders should refer to the Fund's annual information form ("AIF") for the year ended December 31, 2016 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The AIF is available free of charge from us (contact information above), on our website www.ocpseniorcredit.com and on SEDAR www.sedar.com. Readers are also directed to Note 9 of the Fund's 2016 Annual Financial Statements, which discusses management of financial risks.

Results of Operations

For the year ended December 31, 2016, net assets per unit of the Fund was \$10.36 after payment of cash distributions to securityholders of \$0.50 per unit compared to \$9.04 on December 31, 2015. Total return for the Fund was 20.6% over the year.

The Fund's net assets were \$153.4 million as at December 31, 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 \$8 million. This was offset in part by net income and net gains on investments of \$29.7 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.

During the period, performance was driven primarily by a recovery in the credit markets broadly, prudent asset selection and moderate leverage in the Portfolio. The Fund's allocation to leveraged loans increased and the relatively small allocation to bonds declined by half. With lower duration than high-yield bonds, loans benefit in a rising interest rate environment.

The portfolio is levered at 1.6x, which is consistent with leverage at the end of 2015.

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.

Recent Developments

Globally, investors are searching for positive yield during a time of negative rates around the world, and this demand has helped support the credit markets.

Further volatility in oil prices, results of the recent U.S. presidential election, the evolving Brexit situation, world events in Syria and elsewhere in the Middle East and increasing tensions with Russia, could bring additional 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.

Based on the improvement in the non-investment grade debt markets, the Manager is cautiously optimistic but there could be some continued volatility in the markets. With performing loans specifically, the Manager expects more modest volatility in light of improving economic conditions globally and increased stability in commodity markets. Risk-adjusted returns in the portfolio, as compared to the end of 2015, have improved meaningfully as well.

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 year ended December 31, 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
Net Assets, beginning of period	\$9.04	\$10.05	\$10.25	\$9.75	\$8.97
Increase (decrease) from operations:					
Total revenue	1.01	0.13	0.00	0.00	0.00
Total expenses	(0.37)	(0.17)	(0.13)	(0.11)	(0.10)
Realized gains (losses) for the period	0.19	3.32	0.78	0.24	0.10
Unrealized gains (losses) for the period	0.94	(3.50)	(0.31)	0.87	1.28
Total increase (decrease) from operations ⁽²⁾	1.77	(0.22)	0.34	1.00	1.28
Distributions:					
From income (excluding dividends)	(0.76)	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00
From capital gains	(0.01)	(1.14)	0.00	0.00	0.00
Return of capital	0.00	0.00	(0.50)	(0.50)	(0.50)
Total Distributions ⁽³⁾	(0.77)	(1.14)	(0.50)	(0.50)	(0.50)
Net Assets, end of period ⁽⁴⁾	\$10.36	\$9.04	\$10.05	\$10.25	\$9.75

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual 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
Total Net Asset Value (000s) ⁽¹⁾	\$153,423	\$176,271	\$244,015	\$299,075	\$309,258
Number of units outstanding ⁽¹⁾	14,815,741	19,493,590	24,275,577	29,176,493	31,712,469
Management expense ratio ⁽²⁾	3.90%	3.63%	3.32%	3.52%	3.36%
Management expense ratio before waivers or absorptions	3.90%	3.63%	3.32%	3.52%	3.36%
Trading expense ratio ⁽³⁾	0.00%	0.24%	0.27%	0.27%	0.28%
Portfolio turnover rate ⁽⁴⁾	46.75%	5.23%	N/A	N/A	N/A
Net Asset Value per unit	\$10.36	\$9.04	\$10.05	\$10.25	\$9.75
Closing market price	\$10.16	\$8.84	\$9.73	\$10.03	\$9.85

Notes:

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and, is expressed as an annualized percentage of daily average net asset value during the period. 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 December 31, 2016, 2015, 2014, 2013 and 2012, excluding interest expense are 2.32%, 2.35%, 2.27%, 2.28% and 2.29%, 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.

The 2015 portfolio turnover rate is calculated for the period post Forward Termination Date. 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 prior to the Forward Unwind, the management fee earned by the Manager was 0.50% of the net asset value of the Fund calculated daily and paid monthly in arrears. 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 Manager also received an annual management fee in an amount equal to 1.00% of the net asset value of OCP Credit Trust, which was calculated daily and paid monthly in arrears.

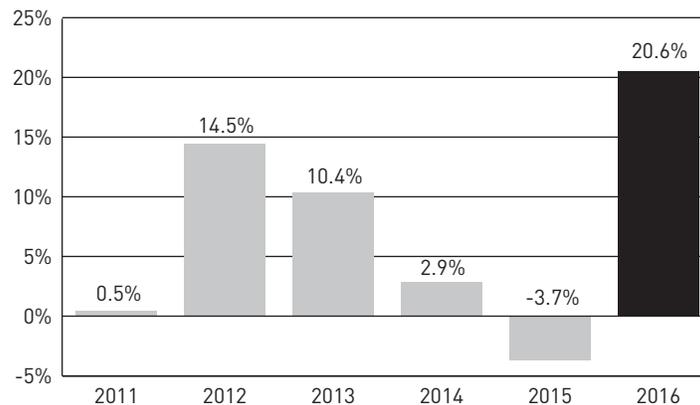
The Manager has retained FA Administration Services Inc. to provide certain administrative services to the Fund. The Manager pays FA Administration Services Inc. out of its management fee.

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.

ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the periods ended December 31 as indicated. As a basis for comparison, we have provided the performance of the Credit Suisse High Yield Index ("Index A") which is designed to mirror the investable universe of the \$US-denominated high yield debt market and the Credit Suisse Leveraged Loan Index ("Index B") which is designed to mirror the investable universe of the \$US-denominated leveraged loan market. As the criteria for determining the constituents of the Portfolio and the indexes differ, it is not expected that the Fund's performance will mirror that of the indexes. Further, the return of the indexes is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	Fund	Index A	Index B
1 Year	20.6%	18.3%	9.9%
3 Year	6.1%	4.6%	3.8%
5 Year	8.6%	7.2%	5.3%
Since Inception	7.1%	6.9%	5.0%

Summary of Investment Portfolio

As at December 31, 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 December 31, 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 Fund and the monthly update reflects only the direct investments held by the Fund 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 DECEMBER 31, 2016

Description	% of Net Asset Value
Long Positions	
Cash including cash on deposit with brokers as collateral	63.59
Alon USA Partners, LP	9.18
Altegrity, Inc.	7.78
Brand Energy and Infrastructures Services Inc.	6.75
Caesars Entertainment Resort Properties LLC	6.66
Ascend Learning Inc.	6.24
YRC Worldwide Inc.	6.11
Eastman Kodak Company	6.06
Ceva Group PLC	5.79
Mcgraw-Hill Global Education Holdings, LLC	5.51
Navistar Inc.	5.32
Federal Mogul Corporation	5.28
Gates Global LLC	5.11
Quikrete Holdings Inc.	4.59
Avaya Inc.	4.27
JC Penney Corporation Inc.	3.85
Albertson's, LLC	3.78
Creative Artists Agency	3.47
Vistra Operations Company	3.45
STG-Fairway ACQ Inc.	3.36
Vizient Inc.	3.12
Commercial Barge Line Company	2.98
DTI Holdco Inc.	2.78
HGIM Corporation	2.75
ADG, LLC	2.71
Total Net Asset Value	153,423,347

SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Long Positions	
Cash including cash on deposit with brokers as collateral	63.59
Business Services	27.37
Technology	15.00
Automobiles	13.15
Trucking	11.43
Energy	11.36
Retail	10.94
Healthcare	10.48
Education	8.02
Gaming/Leisure	7.93
Transportation/Logistics	7.45
Media	6.57
Housing/Building Products	5.92
Energy Service	4.45
Independent Power Producers	4.10
Telecom	3.61
Shipping – Jones Act	2.98
Metals/Minerals	1.45
Chemicals	1.37
Environmental Services	1.35
Food	1.17
Manufacturing	0.43
Service	0.15

Portfolio Composition	% of Net Asset Value
Long Positions	
Bank debt	144.29
Cash including cash on deposit with brokers as collateral	63.59
Bonds	12.38
Equity	0.02

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