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# **OCP Credit Trust**

Annual Management Report of Fund Performance  
for the period November 19, 2010 to December 31, 2010

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**Fund:** OCP Credit Trust

**Securities:** Trust Units

**Period:** November 19, 2010 to December 31, 2010

**Manager:** Onex Credit Partners, LLC  
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**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](http://www.sedar.com). Securityholders 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, 2010.
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 Strategy**

The Fund's investment objectives are to generate enhanced returns for securityholders while preserving capital. The Fund follows a long only strategy that seeks to deliver attractive risk-adjusted returns and stable income while emphasizing preservation of capital and capital appreciation. The Manager will target senior secured loans and other senior debt obligations of non-investment grade issuers that the Manager believes have characteristics including strong asset coverage and / or market positions, attractive and sustainable business models, and / or high quality management teams. In pursuit of its objectives, OCP Credit Trust anticipates it will employ leverage up to 40% of its Total Assets.

## **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 prospectus dated October 25, 2010 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The prospectus is available free of charge from us (contact information above), on our website [www.ocpseniorcredit.com](http://www.ocpseniorcredit.com) and on SEDAR [www.sedar.com](http://www.sedar.com). Readers are also directed to Note 10 of the Fund's 2010 Annual Financial Statements which discusses management of financial risks.

## **Results of Operations**

For the period ended December 31, 2010, the net assets of the Fund totaled \$322.0 million, or \$9.44 per unit compared to its opening net asset value per unit of \$9.40 on November 19, 2010. Total return for the Fund was 0.4% over the period.

The Fund raised gross proceeds of approximately \$320.6 million during the period. The largest factors contributing to the increase between gross proceeds raised and total net assets as at December 31, 2010 of \$322.0 million was an increase in the unrealized value of the portfolio of \$1.8 million and net investment income of \$0.7 million. This was in part offset by a realized foreign exchange loss of \$1.1 million.

December was the Fund's first full month of investing and as at December 31, 2010, the Fund's invested level was approximately 70% of equity capital. The month's small gain was driven by interest income as well as positive performance across the portfolio, most notably holdings in Ceva Group PLC, a global logistics company, Level 3 Communications, an international provider of fiber-based communications services, and Aveta Holdings PLC, a provider of managed healthcare services. The Fund's gains were partially offset by modest losses in a small number of holdings associated with the Fund's initial ramp up.

The most material change in the period was the significant increase in the portfolio's invested level, increasing from 0% at November 19, 2010 to approximately 70% of equity capital by December 31, 2010.

Consistent with the investment strategy of the Fund, portfolio capital was deployed primarily in floating rate, senior loans followed by a modest allocation to secured corporate bonds.

### **Recent Developments**

The Manager believes the underpinnings of the loan market's recent strength remain intact including: continued U.S. economic recovery and below average default rate. That said, the Manager is mindful of the significant and persistent structural issues in the U.S. and global economies, the potential negative longer term consequences of the U.S. Federal Reserve's current monetary stimulus policies, and potential for spread compression.

### **International Financial Reporting Standards**

On January 12, 2011, the Canadian Accounting Standards Board ("AcSB") made a decision to extend the deferral of the adoption of International Financial Reporting Standards ("IFRS") by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. At the transition date the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The Fund is continuing with its orderly transition plan to meet the requirements to changeover to IFRS. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences. The major changes identified include the addition of a statement of cash flows and the classification of unitholder's equity (puttable instruments) as a liability unless certain conditions are met, as well as more extensive note disclosure requirements. These changes will not have an impact on the Fund's results of operations or financial position.

### **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 December 31, 2010.

## 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 since inception.

### **The Fund's Net Assets per Unit <sup>(1)</sup>**

	2010 <sup>(2)</sup>
<b>Net assets, beginning of period</b>	<b>\$9.40</b>
<b>Increase (decrease) from operations</b>	
Total revenue	0.03
Total expenses	(0.01)
Realized gains (losses) for the period	(0.03)
Unrealized gains (losses) for the period	0.05
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	<b>0.04</b>
<b>Distributions:</b>	
From income (excluding dividends)	0.00
From dividends	0.00
From capital gains	(0.04)
Return of capital	0.00
<b>Total Distributions<sup>(4)</sup></b>	<b>(0.04)</b>
<b>Net assets as at December 31 <sup>(5)</sup></b>	<b>\$9.44</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements.

(2) Results for the period from November 19, 2010 (inception date) to December 31, 2010.

(3) 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.

(4) Distributions were reinvested in additional units of the Fund.

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

## Ratios and Supplemental Data

	2010
Total net asset value (000's) <sup>(1)</sup>	\$321,997
Number of units outstanding <sup>(1)</sup>	34,121,864
Management expense ratio <sup>(2)</sup>	1.21%
Management expense ratio before waivers or absorptions	1.21%
Trading expense ratio <sup>(3)</sup>	0.00%
Portfolio turnover rate <sup>(4)</sup>	11.37%
Net asset value per unit	\$9.44

### Notes:

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

<sup>(2)</sup> 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.

<sup>(3)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>(4)</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio 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.

### 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 in an amount equal to 1.00% of the net asset value of the Fund, which is calculated daily and paid monthly in arrears.

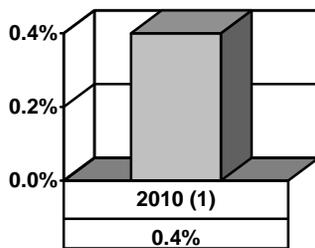
The Manager has retained FA Administration Services Inc. to provide certain administrative services to the Fund. The Manager pays FA Administration Services Inc. out of its management fee.

## **Past Performance**

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the period 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**

The following bar chart shows the Fund's performance for the period shown. 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.



<sup>(1)</sup> Returns are for the period from November 19, 2010 to December 31, 2010.

### **Annual Compound Returns**

As the Fund was not a reporting issuer throughout the entire period, we have not provided a compound annual return or a comparative index.

## Summary of Investment Portfolio

The Fund's sole investment holding as at December 31, 2010 is a total return swap. The following is a summary of the underlying assets of the total return swap as if the Fund held the securities directly. 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](http://www.ocpseniorcredit.com).

### Top 25 Holdings as at December 31, 2010

DESCRIPTION	% of Net Asset Value
Cash <sup>(1)</sup>	93.97
Intelsat Jackson Holdings Ltd., Term Loan	6.31
Delos Aircraft Inc. Term Loan	3.92
AWAS Finance Term Loan	3.78
CIT Term Loan	3.14
American General, Term Loan	3.13
Venetian Orient Limited	2.93
Level 3 Financing Inc., Term Loan	2.91
Brickman Group Holdings, Term Loan	2.68
Aveta Holdings LLC, Term Loan	2.56
Caesar's (formerly known as Harrah's Operating Company Inc.), Term Loan	2.46
Charter Communications Operating LLC, Term Loan	2.32
Ascend Learning LLC, Term Loan	2.31
The Great Atlantic & Pacific Tea Company Inc., Term Loan	2.18
First Data Corporation, Term Loan	2.12
Nyco Holdings, Term Loan	2.08
Remy International Inc., Term Loan	1.81
Graham Packaging Company LP, Term Loan	1.56
Universal City Development Partners Limited, Term Loan	1.56
Ship Luxco, Term Loan	1.55
TNT Logistics Netherlands BV, Term Loan	1.50
Novelis Corporation, Term Loan	1.50
Guitar Center Inc., Term Loan	1.43
CCS Inc., Term Loan	1.38
Delta Air Lines	1.34
<b>Total Net Asset Value</b>	<b>\$321,996,561</b>

## Sector Allocation as at December 31, 2010

<b>INDUSTRY</b>	<b>% of Net Asset Value</b>
Cash <sup>(1)</sup>	93.97
Telecom	10.46
Aerospace	9.04
Gaming / Leisure	8.24
Business Services	6.97
Finance	6.74
Service	4.09
Retail	3.61
Cable / Wireless Video	3.09
Transportation	2.96
Healthcare	2.56
Education	2.31
Pharmaceuticals	2.08
Metals / Minerals	1.76
Forest Prod / Containers	1.56
Energy Service	1.38
Independent Power Producers	1.19
Food	0.82

<b>PORTFOLIO COMPOSITION</b>	<b>% of Net Asset Value</b>
Cash <sup>(1)</sup>	93.97
Bank Debt	64.87
Bonds	3.99

<sup>(1)</sup> Cash, net of amounts receivable for investments sold as a percentage of net asset value is 99.5%.