

OCP CREDIT STRATEGY FUND

Annual Financial Statements for the year ended
December 31, 2013

OCP CREDIT STRATEGY FUND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Credit Strategy Fund (the "Fund") are the responsibility of the management of the Fund. They have been prepared in accordance with Canadian generally accepted accounting principles using information available to March 19, 2014 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, 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 19, 2014



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 19, 2014

INDEPENDENT AUDITORS' REPORT

To the unitholders of:

OCP Credit Strategy Fund

We have audited the accompanying financial statements of OCP Credit Strategy Fund, which comprise the schedule of forward agreement as at December 31, 2013, the statements of net assets as at December 31, 2013 and December 31, 2012, and the statements of operations and changes in net assets 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of OCP Credit Strategy Fund as at December 31, 2013 and December 31, 2012, and its financial performance and its changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants

Chartered Accountants

March 19, 2014

Toronto, Ontario

OCP CREDIT STRATEGY FUND**STATEMENTS OF NET ASSETS**

As at December 31,

	2013 \$	2012 \$
ASSETS		
Forward Agreement <i>[Note 6]</i>	252,606,819	262,152,514
Receivable from counterparty under Forward Agreement	-	7,500,000
Cash	6,982,365	867,819
	259,589,184	270,520,333
LIABILITIES		
Accounts payable and accrued liabilities <i>[Note 5]</i>	726,714	768,645
Distributions payable <i>[Note 4]</i>	4,923,054	5,234,218
	5,649,768	6,002,863
Net Assets	253,939,416	264,517,470
Number of units outstanding <i>[Note 7]</i>	28,131,739	29,909,815
Net assets per unit	\$9.03	\$8.84

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF OPERATIONS

For the years ended December 31,

	2013 \$	2012 \$
INVESTMENT INCOME		
Interest	11,270	12,518
EXPENSES		
Dealer service fee <i>[Note 5]</i>	1,040,471	1,055,293
Management fees <i>[Note 5]</i>	815,717	834,848
Harmonized Sales Tax	201,991	203,605
Securityholder reporting costs	54,967	78,582
Custodian and valuation fees	45,225	44,170
Legal fees	39,222	24,781
Audit fees	21,515	23,575
Independent review committee fees	44,859	41,870
Trustee fees	10,000	10,000
	2,273,967	2,316,724
Net investment loss	(2,262,697)	(2,304,206)
REALIZED AND UNREALIZED GAIN (LOSS) ON FORWARD AGREEMENT AND TRANSACTION COSTS		
Net realized foreign exchange loss	(306)	(19)
Net realized gain on partial settlements of Forward Agreement	7,423,699	3,257,205
Transaction costs <i>[Notes 2 and 6]</i>	(648,630)	(661,049)
Net change in unrealized appreciation on Forward Agreement	20,830,613	28,055,027
Net gain on Forward Agreement	27,605,376	30,651,164
Increase in net assets from operations	25,342,679	28,346,958
Increase in net assets from operations per unit	\$0.88	\$0.94

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31,

	2013 \$	2012 \$
Increase in net assets from operations	25,342,679	28,346,958
Distributions to unitholders <i>[Note 4]</i>		
Return of Capital	(20,086,698)	(21,050,797)
Capital unit transactions <i>[Note 7]</i>		
Redemption of units	(11,017,596)	(2,775,891)
Units purchased for cancellation	(4,816,439)	(1,331,616)
Agents' fees and expenses of issue <i>[Note 1]</i>	-	(6,757)
	(15,834,035)	(4,114,264)
(Decrease) increase in Net Assets for the year	(10,578,054)	3,181,897
Net Assets, beginning of year	264,517,470	261,335,573
Net Assets, end of year	253,939,416	264,517,470

See accompanying notes.

OCP CREDIT STRATEGY FUND

SCHEDULE OF FORWARD AGREEMENT

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$
Investments held in OCP Investment Trust				
LONG POSITIONS				
BONDS				
8,700,000	ACA Financial Guaranty Corporation	Defaulted	1,478,995	1,480,190
4,675,863	ACST Pass Through Trust Floating Rate	June 14, 2037	4,124,484	4,624,054
4,005,520	ACST Pass Through Trust Floating Rate	June 20, 2031	3,807,549	3,971,786
822,000	Avaya, Inc., 9.00%	April 01, 2019	853,532	913,411
860,000	Beazer Homes USA, 8.125%	June 15, 2016	709,203	1,019,651
3,000,000	Capmark Financial Group Inc., 6.30%	Defaulted	–	20,735
342,450	Co-Operative Bank PLC, 11.00%	December 20, 2023	701,076	717,864
8,400,000	Delphi Corporation, 7.125%	May 01, 2029	268,216	279,131
11,571,000	Edison Mission Energy, 7.50%	Defaulted	7,959,893	9,289,578
860,000	Edison Mission Energy, 7.75%	Defaulted	659,358	690,436
1,193,000	Genco Shipping & Trading Ltd., 5.00%	August 15, 2015	560,448	659,663
5,670,000	International Automotive Components Group, 9.125%	June 01, 2018	5,242,813	6,285,463
6,053,926	K Hovnanian Enterprises, 7.50%	May 15, 2016	4,696,656	6,952,468
940,000	K Hovnanian Enterprises, 8.625%	January 15, 2017	795,711	1,107,005
230,000	K Hovnanian Enterprises, 9.125%	November 15, 2020	224,134	268,417
385,000	Landsbanki Islands HF, 6.10%	Defaulted	26,598	36,845
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	142,413	502,435
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	139,638	502,435
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	219,268	502,435
645,000	Lehman Brothers Holdings Inc., 3.60%	Defaulted	23,762	145,746
3,024,000	Lehman Brothers Holdings Inc., 5.625%	Defaulted	689,752	683,312
13,526,000	Lehman Brothers Holdings Inc., 6.20%	Defaulted	2,098,760	3,110,310
34,500,000	Lehman Brothers Holdings Inc., 6.875%	Defaulted	2,331,473	7,933,290
48,790,000	Lehman Brothers Treasury Co. BV, 7.585%	Defaulted	429,860	1,346,654
4,480,500	Meritor, Inc., 4.625%	March 01, 2026	4,045,299	4,868,581
1,290,000	Momentive Performance Materials Inc., 10.00%	October 15, 2020	1,428,562	1,436,885
3,010,000	Momentive Performance Materials Inc., 8.875%	October 15, 2020	3,360,198	3,368,734
1,750,000	OSX 3 Leasing BV, 9.25%	Defaulted	1,476,566	1,600,349
3,803,500	Penson Worldwide Inc., 12.50%	Defaulted	3,689,591	910,006
2,000,000	Smurfit-Stone Container Corporation, 8.375%	Defaulted	–	2,127
2,150,000	Texas Competitive Electric Holdings Company, 11.50%	October 01, 2020	1,572,061	1,680,366
450,000	USG Corporation, 7.875%	March 30, 2020	446,644	538,323
1,680,000	Vertellus Specialties, Inc., 9.375%	October 01, 2015	1,748,874	1,748,474
Total Bonds			55,951,387	69,197,159

OCP CREDIT STRATEGY FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$
BANK DEBT				
5,840,450	Alon USA Partners, LP, Term Loan B	November 26, 2018	5,721,711	6,334,679
5,447,365	Altegrity, Inc., Term Loan B	February 21, 2015	5,372,820	5,674,824
3,680,000	Arcapita Bank BSC, Term Loan	Defaulted	1,533,928	2,011,357
2,812,728	Avaya Inc., Term Loan B5	March 31, 2018	2,723,990	3,024,575
1,359,181	Avaya Inc., Term Loan B3	October 26, 2017	1,231,820	1,408,256
2,892,142	Caesars Entertainment Operating Co. Inc. (formerly known as Harrah's Operating Company Inc.), Term Loan B-4	October 31, 2016	2,993,479	3,095,876
3,574,000	Caesars Entertainment Operating Co. Inc. (formerly known as Harrah's Operating Company Inc.), Term Loan B-6	January 28, 2018	3,379,587	3,622,284
5,954,000	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	6,250,008	6,283,730
17,707,000	Capmark Financial Group Inc. Term Loan	Defaulted	66,211	122,387
348,891	Ceva Group PLC, Term Loan	August 31, 2016	353,619	357,083
8,914,122	CMA CGM Container, Term Loan	February 09, 2017	8,110,079	8,530,986
420,013	Eagle Bulk Shipping Inc., Revolving Commitment	December 31, 2015	401,234	406,427
10,644,922	Eagle Bulk Shipping Inc. Term Loan	December 31, 2015	9,486,939	10,300,589
258,351	Eastman Kodak Company, Term Loan	September 03, 2019	274,632	274,375
483,708	EGL, Inc., Term Loan	August 31, 2016	490,263	495,064
2,780,344	Eitzen Chemical (Singapore) Pte Ltd., Term Loan II	May 31, 2016	2,488,575	2,490,844
2,112,106	Eitzen Chemical (Singapore) Pte Ltd., Senior Term Loan	May 31, 2016	1,896,172	1,892,186
34,850	Eitzen Chemical (Singapore) Pte Ltd., Second Senior Term Loan	May 31, 2016	-	-
39,262	Eitzen Chemical (Singapore) Pte Ltd., Term Loan A	May 31, 2016	35,480	35,174
73,438	Eitzen Chemical (Singapore) Pte Ltd., Second Lien Term Loan	May 31, 2016	66,365	65,791
4,249,267	Federal Mogul Corporation, Term Loan C	December 28, 2015	3,923,667	4,443,168
7,220,589	Federal Mogul Corporation, Term Loan B	December 29, 2014	6,667,312	7,550,077
6,300,000	Genco Shipping & Trading Ltd., Term Loan	July 20, 2017	6,053,685	6,330,682
16,890,413	Glitnir Bank HF (USD) Claim	Defaulted	4,797,954	5,208,545
4,613,872	Glitnir Bank HF (EUR) Claim	Defaulted	1,719,057	1,892,593
15,468,000	Lehman Brothers Specialty Finance Claim	Defaulted	226,977	3,371,834
4,878,031	Mach Gen LLC, Term Loan	February 22, 2015	3,832,043	3,215,988
829,976	Monier, Term Loan	April 15, 2018	876,788	1,215,904
3,993,411	Navistar Financial Corporation, Term Loan	December 02, 2016	3,614,270	4,051,786
5,042,925	Navistar Inc., Term Loan B	August 17, 2017	5,034,748	5,437,830
3,150,000	OSX 2 Leasing BV, Term Loan	October 25, 2023	3,034,779	3,014,610
13,649,161	Overseas Shipholding Group, Inc., Revolving Commitment	Defaulted	11,827,679	14,278,048
898,322	Premier Foods PLC, Term Loan	June 30, 2016	1,277,714	1,497,804
197,951	Realogy Corporation, Extended Synthetic Commitment	October 10, 2016	183,661	209,965

OCP CREDIT STRATEGY FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$
11,650,000	Texas Competitive Electric Holdings Company, 2017 Term Loan	October 10, 2017	7,947,652	8,510,612
2,831,836	Texas Competitive Electric Holdings Company, 2014 Term Loan	October 10, 2014	2,013,672	2,115,939
2,150,000	Texas Competitive Electric Holdings Company, 2017 L/C	October 10, 2017	1,532,174	1,577,487
3,117,697	Travelport Inc., Term Loan	June 26, 2019	3,247,448	3,398,098
2,354,190	Travelport Inc., Term Loan	January 31, 2016	2,452,296	2,586,783
923,080	W.R. Grace Strip 5-year RC and 364 Day RC	Defaulted	1,649,910	2,052,077
3,359,976	YRC Worldwide, Inc., Term Loan	March 31, 2015	3,405,853	3,407,602
Total Bank Debt			128,196,251	141,793,919
CREDIT DEFAULT SWAPS				
2,150,000	CDX HY 21, 5.00%	December 20, 2018	(105,526)	(198,280)
Total Credit Default Swaps			(105,526)	(198,280)
EQUITIES AND WARRANTS				
180,000	Air Canada, Class B		220,716	1,333,800
334,817	Capmark Financial Group Inc.		-	1,424,117
594,373	Co-Operative Bank PLC		4,364,868	4,607,299
7,360	D.R. Horton, Inc.		145,182	174,605
51,104	Delphi Automotive PLC		1,108,022	3,267,023
21,556	Eagle Bulk Shipping Inc.		69,316	104,752
7,430	Eagle Bulk Shipping Inc., Warrants		-	988
6,177	Eagle Bulk Shipping Inc., W-A-4 Warrants, June 20, 2022		4,300	821
6,177	Eagle Bulk Shipping Inc., W-B-4 Warrants, June 20, 2022		4,300	821
6,177	Eagle Bulk Shipping Inc., W-C-4 Warrants, June 20, 2022		4,300	821
138,000	Federal Home Loan Mortgage Corporation, Preferred Z Series, 8.375%		451,206	1,316,284
46,000	Federal National Mortgage Association, Preferred R Series, 7.625%		133,777	373,216
69,000	Federal National Mortgage Association, Preferred S Series, 8.250%		227,718	636,131
3,826	General Motors Company		165,919	166,275
69,004	General Motors Company, Warrants A, July 10, 2016, \$10.00		1,512,192	2,284,187
69,004	General Motors Company, Warrants B, July 10, 2019, \$18.33		1,165,454	1,696,461
217,403	Hovnanian Enterprises, Inc.		781,266	1,530,388
4,600	Lennar Corporation		151,469	193,456
18,095	Motors Liquidation Company GUC Trust		-	615,725
60,160	ProShares UltraShort Euro ETF		1,068,427	1,089,433
178,500	Rentech, Inc.		389,869	330,267
5,520	The Ryland Group, Inc.		154,477	254,804

OCP CREDIT STRATEGY FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$
12,766	Tribune Company		836,342	1,050,010
42	Tribune Company, Warrants, December 31, 2032		-	3,394
122,000	US Power Generation Company		1,283,708	869,186
Total Equities and Warrants			14,242,828	23,324,264
Total Long Positions			198,284,940	234,117,062

SHORT POSITIONS

BONDS

(1,380,000)	Accuride Corp., 9.50%	August 01, 2018	(1,350,611)	(1,449,087)
(900,000)	Alpha Natural Resources, 6.25%	June 01, 2021	(806,254)	(827,822)
(1,410,000)	AMC Networks Inc., 4.75%	December 15, 2022	(1,403,864)	(1,443,105)
(1,380,000)	Arch Coal Inc., 7.00%	June 15, 2019	(1,194,782)	(1,181,281)
(3,170,000)	Arch Coal Inc., 7.25%	June 15, 2021	(3,056,774)	(2,612,396)
(1,410,000)	Avis Budget Car Rental LLC, 4.875%	November 15, 2017	(1,427,310)	(1,589,290)
(1,380,000)	Ball Corporation, 4.00%	November 15, 2023	(1,367,509)	(1,328,024)
(1,380,000)	CenturyLink Inc., 5.80%	March 15, 2022	(1,459,521)	(1,463,761)
(1,350,000)	Cenveo Corporation, 8.875%	February 01, 2018	(1,265,385)	(1,449,884)
(910,000)	Cliffs Natural Resources Inc., 4.80%	October 01, 2020	(894,064)	(963,383)
(1,380,000)	FMG Resources, 6.875%	April 01, 2022	(1,456,104)	(1,614,172)
(1,380,000)	Goodyear Tire & Rubber Company, 6.50%	March 01, 2021	(1,502,343)	(1,570,150)
(820,000)	J Crew Group, 8.125%	March 01, 2019	(789,052)	(924,268)
(1,380,000)	Jaguar Land Rover Automotive PLC, 5.625%	February 01, 2023	(1,466,006)	(1,482,104)
(920,000)	Sealed Air Corporation, 5.25%	April 01, 2023	(944,103)	(961,166)
(705,000)	Sealed Air Corporation, 6.50%	December 01, 2020	(778,091)	(813,387)
(1,880,000)	Styrolution Group GmbH, 7.625%	May 15, 2016	(2,553,439)	(2,904,002)
(2,330,000)	Trinseo Materials Operating S.C.A., 8.75%	February 01, 2019	(2,349,403)	(2,582,915)
(1,840,000)	Tronox Finance LLC, 6.375%	August 15, 2020	(1,844,872)	(2,015,270)
(2,100,000)	US Treasury, 2.750%	November 15, 2023	(2,199,588)	(2,181,057)
(2,150,000)	USG Corporation, 9.75%	January 15, 2018	(2,305,721)	(2,726,308)
Total Bonds			(32,414,796)	(34,082,832)
Total Short Positions			(32,414,796)	(34,082,832)

OCP CREDIT STRATEGY FUND

SCHEDULE OF FORWARD AGREEMENT continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$
UNFUNDED BANK DEBT COMMITMENTS				
(188,493)	Eagle Bulk Shipping, Unfunded Term Loan	December 31, 2015	(25,595)	(18,039)
(83,839)	OSG R/C Old, Unfunded Term Loan	Defaulted	(10,998)	(1,449)
(2,100,000)	YRC Worldwide, Inc., Term Loan	March 31, 2015	(173,223)	(202,834)
Total Unfunded Bank Debt Commitments			(209,816)	(222,322)
FORWARD CONTRACTS				
United States Dollars				
	Forward currency contract 30/04/2014 ⁽¹⁾		-	(2,660,126)
Total Forward Contract			-	(2,660,126)
Adjustment for transactions costs			(24,625)	-
Total Investments			165,635,703	197,151,782
Other Assets and Liabilities held in OCP Investment Trust				
	Cash			77,933,897
	Cash on deposit with broker as collateral			296,394
	Receivable for investments sold			406,825
	Accrued interest			474,019
	Performance fees payable			(4,705,186)
	Interest payable on short positions			(588,855)
	Accounts payable and accrued liabilities			(1,261,630)
	Payable for investments purchased			(17,128,993)
	Section 3855 valuation adjustment [Note 6]			28,566
Forward Agreement				252,606,819

⁽¹⁾ Sold 191,000,000 United States dollars for Canadian dollars at a rate of 0.9497. The counterparty is rated A- by Standard & Poor's.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. THE FUND

OCP Credit Strategy Fund (the "Fund") is an investment fund governed by the laws of the Province of Ontario by a Declaration of Trust dated October 27, 2009. On November 20, 2009 the Fund completed an initial public offering of 20,000,000 units at \$10 per unit. On December 3, 2009, an over-allotment option granted to agents was exercised for 780,000 units at \$10 per unit. Agents' fees and expenses of issue relating to the initial public offering of units totaled \$11,771,048. On June 21, 2011, a follow-on offering was completed for 8,600,000 units at \$10.12 per unit. On July 7, 2011, an over-allotment option granted to agents was exercised for 1,240,000 units at \$10.12 per unit. Agents' fees and expenses of issue relating to these offering of units were \$4,323,963 of which \$6,757 was invoiced and paid in 2012.

The Fund is designed to provide unitholders with exposure to the performance of an actively managed, diversified portfolio (the "Portfolio") comprised primarily of 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 offerings 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 has agreed to deliver to the Fund on November 20, 2014 (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 Investment Trust (the "Trust"), which holds the Portfolio securities, net of any amount owing by the Fund to the Counterparty. As such, the return of the Fund will, by virtue of the Forward Agreement, be based on the return of the Trust, which, in turn, will be based on the performance of the Portfolio. The Fund may extend or enter into a new forward agreement before the Forward Termination Date or amend the Declaration of Trust to permit the Fund to hold the Trust Portfolio directly. Therefore, the Forward Termination Date does not constitute the Fund termination date and the Fund will continue to operate for the foreseeable future.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Significant estimates include the valuation of the Forward Agreement. Actual results could differ from those estimates. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Forward Agreement

The Forward Agreement is 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 shall be based on the net asset value of the Trust. The Forward Agreement is categorized as held for trading and changes in fair value are reflected in the Fund's Statements of Operations under "Net change in unrealized appreciation on Forward Agreement". Trade date accounting is used.

Other assets and liabilities

Net assets, excluding cash and the Forward Agreement, are recorded at amortized cost. Assets, excluding cash and the Forward Agreement, are categorized as loans and receivables. Liabilities are categorized as other financial liabilities.

Transaction costs

Portfolio transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are fees incurred in conjunction with the Fund's Forward Agreement.

Income and expense recognition

The accrual method of recording income and expenses is followed.

Increase (decrease) in net assets from operations per unit

The increase (decrease) in net assets from operations per unit in the Statements of Operations represents the increase (decrease) in net assets from operations during the period, divided by the weighted average number of units outstanding during the year.

Valuation of fund units

Net asset value per unit is calculated at the end of Thursday of each week, on the annual redemption date and on such other dates as the Manager deems appropriate, by dividing the net asset value by the outstanding units.

Net assets per unit for financial reporting purposes are determined in the same manner as above, except for investments which are accounted for in accordance with CICA Handbook Section 3855 Financial Instruments – recognition and measurement ("Section 3855").

Given that the Fund does not invest directly in any investment securities, there is no difference between the Fund's net asset value and the Fund's net assets.

NOTES TO FINANCIAL STATEMENTS continued

Income taxes

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized taxable capital gains are distributed to the unitholders.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash, receivable from counterparty under Forward Agreement, accounts payable and accrued liabilities and distributions payable. There are no significant differences between the carrying values of these financial instruments and their fair value. The Forward Agreement is also a financial instrument and is carried at its fair value as described in Note 2 above. Financial instruments recorded at fair value are categorized between those whose fair value is based on quoted market prices (Level 1), those involving valuation techniques where all the model inputs are observable in the market (Level 2) and those where the valuation technique involves the use of non-market observable inputs (Level 3). The Forward Agreement is considered Level 2.

4. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with tax-efficient quarterly distributions consisting of capital gains and returns of capital currently targeted to be \$0.175 per unit (\$0.70 per annum to yield 7.0% on the initial 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).

5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.3125% based on the net asset value of the Fund, as well as an annual fee of 0.9375% based on the net asset value of the Trust (total overall management fee of 1.25%). These fees are calculated weekly and paid monthly in arrears.

A dealer service fee, which is equal to 0.40% annually of the net asset value of the Fund, is payable to dealers whose clients hold units of the Fund. This fee is calculated weekly and paid quarterly in arrears.

In addition, the Manager is entitled to an annual performance fee (the "Performance Fee") from the Trust once a unitholder of OCP Investment Trust has achieved a preferred return of 9.0%. The Performance Fee is calculated and accrued monthly and paid annually (except that when units are redeemed the accrued Performance Fee in respect of such units will be paid at the time of such redemption). The amount of the Performance Fee is determined as of December 31 of each year (the "Determination Date"). The Performance Fee for a given year will be an amount for each unit of OCP Investment Trust then outstanding equal to 15% of the amount by which the sum of (i) the net asset value of such unit at the Determination Date (calculated without taking into account the Performance Fee), and (ii) the distributions paid on such unit during the previous 12 months (such sum being referred to as the "Return"), exceeds the Threshold Amount (as defined below). No Performance Fee will be paid unless the Return exceeds 109% of the Threshold Amount. If the Return exceeds 109% of the Threshold Amount, the Manager will be entitled to a Performance Fee equal to 15% of the Return. Furthermore, the Manager, at its own discretion, has determined that the performance fee will also be subject to the unitholders of the Fund receiving a preferred return of 8%. The Threshold Amount is the greatest of: (i) the net asset value per unit of OCP Investment Trust immediately following the closing of the offering; (ii) the net asset value per unit of OCP Investment Trust on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (iii) the net asset value per unit of OCP Investment Trust on the Determination Date in the last fiscal year in which a Performance Fee was paid (after payment of such Performance Fee).

During 2013, the Trust incurred a performance fee of \$4,772,724 (2012 – \$1,351,680), of which \$4,705,186 was owing at December 31, 2013 (2012 – \$1,335,510).

The Fund is responsible for all costs relating to its administration and operation.

All transactions with the Manager are measured at the exchange amounts, and occur within the normal course of business.

6. FORWARD AGREEMENT

The Fund has used the net proceeds of the offering to pre-pay its obligation to purchase the Canadian Securities Portfolio pursuant to a Forward Agreement that it has entered into with the Counterparty, which has a credit rating of A+ according to Standard & Poor's Rating Services ("S&P"). Under the terms of the Forward Agreement, the Counterparty has agreed to deliver to the Fund on November 20, 2014, 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 Investment Trust, net of any amount owing by the Fund to the Counterparty. The Fund will partially settle the Forward Agreement prior to the Forward Termination Date in order to fund quarterly distributions, redemptions and repurchases of units from time to time, and operating expenses of the Fund. Under the Forward Agreement, the Fund pays to the counterparty an annual fee as negotiated with the counterparty, of the notional amount of the Forward Agreement (being equal to the net asset value of the Trust), calculated weekly and paid quarterly in arrears.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

The fair value of the Fund's Forward Agreement is equal to the net asset value of the Trust calculated at closing sale prices for equity securities. As at December 31, 2013, the net asset value of the Trust was \$252,606,819 (2012 – \$262,152,514). For financial statement reporting purposes, the net assets of the Trust include portfolio securities measured in accordance with Section 3855, which for publicly listed securities is based on closing bid prices on long positions and ask prices for short positions on a recognized stock exchange on which the investments are listed or principally traded. The following reconciles the net assets of the Trust to the fair value of the Forward Agreement as at December 31:

	2013	2012
Net assets of the Trust based on closing bid prices	\$252,578,253	\$262,118,203
Section 3855 valuation adjustment	28,566	34,311
Forward Agreement, at fair value	\$252,606,819	\$262,152,514

7. UNITS ISSUED AND OUTSTANDING

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.

Commencing in 2011, units may be surrendered annually for redemption during the year from the first business day in January until 5:00pm (Toronto time) on January 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 March of each year (the "Annual Redemption Date") for a redemption price per unit equal to the net asset value 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 units outstanding for the years ended December 31 are summarized as follows:

	2013 #	2012 #
Units outstanding, beginning of year	29,909,815	30,379,175
Redemption of units	(1,231,376)	(315,560)
Units purchased for cancellation	(546,700)	(153,800)
Units outstanding, end of year	28,131,739	29,909,815

Under a normal course issuer bid, which will expire on July 16, 2014, the Fund has the ability to repurchase units up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, units were repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). During the period ended December 31, 2013, 546,700 units (2012 – 153,800 units) were purchased under this normal course issuer bid at an average price of \$8.81 per unit (2012 – \$8.66 per unit).

8. 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, currency risk and other price 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 Trust 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.

As the Fund obtains exposure to the Portfolio held in the Trust through the Forward Agreement, the following incorporates the risks and risk management applicable to the Fund and 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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

In entering into the Forward Agreement, which is the most significant asset of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. As at December 31, 2013, the credit exposure is \$252,606,819 (2012 – \$269,652,514) and is represented by the net asset value of the Trust and amounts owing from the Counterparty under the Forward Agreement. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. This risk is managed by dealing with a counterparty that the Manager believes to be creditworthy and through regular monitoring of credit exposures. As at December 31, 2013 and 2012, the Counterparty had a credit rating of A+ by S&P.

The Fund is also exposed to credit risk of the debt securities it has exposure to via the Forward Agreement which derives its value based on the performance of the Trust's Portfolio. The Trust invests primarily in senior debt obligations of non-investment grade issuers, including defaulted obligations, which involves risk of loss and price changes due to such factors as an issuer's creditworthiness. This represents the main concentration of credit risk. The Schedule of Forward Agreement discloses the securities that are currently in default.

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 Trust's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2013 was \$18,098,451 representing 7.17% of the net assets of the Trust (2012 – \$14,523,781 or 5.54%).

As at December 31, of the years shown, indirect exposure to debt securities by credit rating is as follows:

Credit Rating	As a % of the Trust's net assets	
	2013	2012
AA	(0.86)	(0.87)
A	3.40	2.09
BBB	(1.02)	(2.13)
BB	(3.47)	3.59
B	19.58	18.98
CCC	9.54	8.30
CC	1.92	4.85
C	-	2.65
D	-	1.94
Not rated *	40.86	28.87

* Not rated by Standard & Poor's Rating Services.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Forward Agreement may be partially pre-settled at any time. If the Trust is unable to dispose of some or all of the Portfolio upon receipt of a redemption request, the Fund may experience a delay in the receipt of cash on the sale of Canadian Securities Portfolio to be delivered by the Counterparty under the Forward Agreement until such time as the Trust is able to dispose of such securities.

The Fund has financial liabilities outstanding, including accounts payable and accrued liabilities and distributions payable. These financial liabilities are all current and due within 12 months. The Fund has sufficient cash on hand to settle these financial liabilities.

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.

The Fund is exposed to the performance of the Trust, which invests in debt securities which may bear interest. Consequently, the Fund is exposed to interest rate risk on the Portfolio. Changes in the prevailing levels of market interest rates are not expected to have a significant impact on their fair values or 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 is exposed to the performance of the Trust, which invests its assets in securities that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. Consequently, the Fund is exposed to currency risk as the fair value of the Portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the years

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

ended December 31, 2013 and 2012, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Trust's foreign investments are hedged back to the Canadian dollar.

Other price risk

Other price risk is the risk that the fair value of equities will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to the performance of the Trust, which does not invest substantially in equity securities and as a result, the Fund does not have a significant exposure to other price risk as of December 31, 2013 and 2012.

9. 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. Restrictions and specific requirements on the redemption of units are described in Note 7. The Statements of Changes in Net Assets and Note 7 outline the relevant changes of the Fund's units for the period.

The Fund's objectives in managing its capital in respect of the units are to provide unitholders with tax efficient quarterly distributions consisting of capital gains and returns of capital currently targeted to be \$0.175 per unit (\$0.70 per annum to yield 7% per year based on the \$10.00 initial subscription price per unit), while at the same time to preserve and enhance the net asset value.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 8 while maintaining sufficient liquidity to meet distributions and redemptions.

10. INCOME TAXES

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.

As of December 31, 2013, the Fund has accumulated \$14,372,819 of non-capital losses, which may be carried forward to reduce future taxable income and expire in the years indicated:

Non-Capital Losses	Expiration of Non-Capital Losses				
	2029	2030	2031	2032	2033
\$14,372,819	\$637,867	\$3,673,163	\$4,042,347	\$4,046,971	\$1,972,471

11. INTERNATIONAL FINANCIAL REPORTING STANDARDS

Investment companies that are publicly accountable enterprises or investment funds to which National Instrument 81-106 *Investment Fund Continuous Disclosure* is applicable, are required to adopt International Financial Reporting Standards (IFRS) for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning January 1, 2014 and publish its first financial statements, prepared in accordance with IFRS, for the semi-annual period ending June 30, 2014. The 2014 semi-annual and annual financial statements will include 2013 comparative financial information and an opening Statement of Financial Position as at January 1, 2013, also prepared in accordance with IFRS.

The Fund continues to execute its transition plan to complete the changeover to IFRS in 2014 and comply with the required timetable for continuous disclosure. As at December 31, 2013, the impact to the financial statements based on the Fund's assessment of the differences between current Canadian GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The Fund will adopt accounting policies for the valuation of investments to utilize mid-market prices that align more closely with the calculation of net asset value (NAV) used to price unitholder transactions (Transaction NAV). As a result, net assets for current financial reporting purposes (GAAP NAV) may be impacted and is expected to align with Transaction NAV, eliminating the need for a NAV per unit reconciliation. Given that the Fund does not invest directly in any investment securities, there is no difference between the Fund's net asset value and the Fund's net assets.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

- IFRS 10 *Consolidated Financial Statements* provides an exception to the consolidation requirements and requires an investment entity to account for its subsidiaries at fair value through profit or loss. The Fund has concluded that it meets the definition of an investment entity as at January 1, 2013 and throughout the year ended December 31, 2013.
- Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. In circumstances where the conditions are met to reflect securityholder's equity as equity, the Fund will also be required to separately disclose retained earnings, other reserves and securityholders' paid up capital. The Fund has assessed the unitholder's structure and has determined the equity treatment is the most appropriate classification. The amount of share capital and retained earnings as of December 31, 2013 were \$194,832,039 and \$59,107,377 (2012 – \$228,502,748 and \$36,014,722), respectively.
- IFRS requires the presentation of a Statement of Cash Flows, including comparatives for 2013. The Fund has not previously presented this statement as permitted by current Canadian GAAP. In addition, other statements presented will be renamed as follows:

Canadian GAAP

Statements of Net Assets
Statements of Operations
Statements of Changes in Net Assets
Statement of Investment Portfolio

IFRS

Statements of Financial Position
Statements of Comprehensive Income
Statements of Changes in Financial Position
Schedule of Investment Portfolio

- Other reclassifications, presentation differences and additional disclosures will also be required in the financial statements to comply with the new requirements under IFRS.

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