

OCP INVESTMENT TRUST

Annual Financial Statements for the year ended
December 31, 2013

OCP INVESTMENT TRUST

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Investment Trust (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 unitholder of:

OCP Investment Trust

We have audited the accompanying financial statements of OCP Investment Trust, which comprise the schedule of investments 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 Investment Trust 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 INVESTMENT TRUST

STATEMENTS OF NET ASSETS

As at December 31

	2013 \$	2012 \$
ASSETS		
Investments held long	234,117,062	224,056,911
Cash	77,933,897	85,660,144
Cash on deposit with broker as collateral	296,394	994,698
Forward contract	-	1,341,545
Receivable for investments sold	406,825	13,127,182
Accrued interest	474,019	685,456
	313,228,197	325,865,936
LIABILITIES		
Investments sold short	34,082,832	28,232,950
Unfunded bank debt commitments	222,322	69,816
Forward contract	2,660,126	-
Performance fees payable [Note 5]	4,705,186	1,335,510
Interest payable on short positions	588,855	439,091
Accounts payables and accrued liabilities	1,261,630	858,748
Redemptions payable	-	7,500,000
Payable for investments purchased	17,128,993	25,311,618
	60,649,944	63,747,733
Net Assets	252,578,253	262,118,203
Number of units outstanding [Note 6]	19,748,611	22,851,539
Net assets per unit	\$12.79	\$11.47

See accompanying notes.

OCP INVESTMENT TRUST

STATEMENTS OF OPERATIONS

For the years ended December 31,

	2013 \$	2012 \$
INVESTMENT INCOME		
Interest	10,429,738	11,714,415
Dividend, net of withholding tax	22,299	219,824
	10,452,037	11,934,239
EXPENSES		
Performance fees <i>[Note 5]</i>	4,772,724	1,351,680
Interest expense	3,668,393	3,021,124
Management fees <i>[Note 5]</i>	2,435,308	2,502,005
Harmonized sales tax	940,330	511,236
Custodian and valuation fees	80,583	68,722
Other administration costs	69,699	163,843
Legal fees	25,474	-
Audit fees	21,515	23,575
Independent review committee fees	11,250	11,250
Trustee fees	10,000	10,000
Securityholder reporting costs	1,681	4,623
	12,036,957	7,668,058
Net investment (loss) income	(1,584,920)	4,266,181
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND TRANSACTION COSTS		
Net realized foreign exchange loss	(6,582,644)	(612,992)
Net realized loss from derivatives	(3,446,933)	(1,564,235)
Net realized gain on sale of investments	23,570,482	3,055,909
Transaction costs	(37,222)	(60,101)
Net change in unrealized appreciation of investments	16,341,287	26,218,792
Net gain on investments	29,844,970	27,037,373
Increase in net assets from operations	28,260,050	31,303,554
Increase in net assets from operations per unit	\$1.33	\$1.28

See accompanying notes.

OCP INVESTMENT TRUST

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31,

	2013 \$	2012 \$
Increase in net assets from operations	28,260,050	31,303,554
Distributions to unitholder <i>[Note 4]</i>	(28,288,616)	(24,644,840)
Capital unit transactions <i>[Note 6]</i>		
Redemption of units	(37,800,000)	(29,300,000)
Distributions reinvestment	28,288,616	24,644,840
	(9,511,384)	(4,655,160)
Increase (decrease) in net assets for the year	(9,539,950)	2,003,554
Net assets, beginning of year	262,118,203	260,114,649
Net assets, end of year	252,578,253	262,118,203

See accompanying notes.

OCP INVESTMENT TRUST

SCHEDULE OF INVESTMENTS

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
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	35.10%

OCP INVESTMENT TRUST

SCHEDULE OF INVESTMENTS continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
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	

OCP INVESTMENT TRUST

SCHEDULE OF INVESTMENTS continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
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	
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	71.92%
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)	- 0.10%
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	

OCP INVESTMENT TRUST

SCHEDULE OF INVESTMENTS continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
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	
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	11.83%
Total Long Positions			198,284,940	234,117,062	118.75%

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, 9.375%	January 15, 2018	(2,305,721)	(2,726,308)	
Total Bonds			(32,414,796)	(34,082,832)	(17.29)%
Total Short Positions			(32,414,796)	(34,082,832)	(17.29)%

OCP INVESTMENT TRUST

SCHEDULE OF INVESTMENTS continued

As at December 31, 2013

Number of shares, units par value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
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)	(0.11)%
FORWARD CONTRACT					
United States Dollars					
	Forward currency contract 30/04/2014 ⁽¹⁾		-	(2,660,126)	
Total Forward Contract			-	(2,660,126)	(1.35)%
Adjustment for transactions costs			(24,625)	-	
Total Investments			165,635,703	197,151,782	100.00%

⁽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 INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS

December 31, 2013 and 2012

1. THE FUND

OCP Investment Trust (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 commenced operations.

The Fund was established for the purpose of acquiring and holding an actively managed, diversified portfolio (the "Portfolio") comprised primarily of senior debt obligations of non-investment grade North American issuers.

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 year. Significant estimates include the valuation of investments, forward contract and unfunded bank debt commitments. 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.

Investments

Investments are categorized as held for trading and recorded at their fair value. In the case of publicly traded securities, fair value means the closing bid price for long positions and the closing ask price for short positions. 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. The difference between fair value and average cost, as recorded in the accounts, is shown as "Net change in unrealized appreciation of investments" in the Statements of Operations. Average cost is used to determine the gain or loss on investments sold.

Derivative financial instruments such as credit default 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. Cash on deposit with broker as collateral is noted in the Statements of Net Assets. Derivative financial instruments are recorded at their respective fair values. Realized gains and losses on credit default swaps, options and on forward contracts are included in the Statements of Operations under "Net realized loss from derivatives" and "Net realized foreign exchange loss" respectively.

Investment transactions are recorded on the trade date.

Short selling

When the Fund sells a security short, it will borrow that security from a broker to complete the sale. The Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which the Fund closes out its short position by buying that security. The Fund will realize a gain if the security declines in price between those dates. The gain or loss that would be realized if, on the valuation date, the position were to be closed out is reflected in the Statements of Operations in "Net change in unrealized appreciation of investments". When the short position is closed out, the gain and loss is realized and included in the Statements of Operations in "Net realized gain on sale of investments".

There can be no assurance that the Fund will be able to close out a short position at an acceptable time or price. Until the Fund replaces a borrowed security, it will maintain a margin account with the prime broker containing cash and liquid securities such that the amount deposited as margin will be more than the current market value of the security sold short.

Other assets and liabilities

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

Income and expense recognition

The accrual method of recording income and expenses is followed.

Foreign currency translation

Investments at fair value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation dates. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

Realized foreign currency gains and losses on investment transactions, realized gains or losses on forward contracts and unrealized foreign exchange gains and losses on other net assets are included in the Statements of Operations in "Net realized foreign exchange loss". Unrealized foreign currency gains and losses on investments are included in the Statements of Operations in "Net change in unrealized appreciation of investments".

NOTES TO FINANCIAL STATEMENTS continued

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 year, divided by the weighted average number of units outstanding during the year.

Valuation of fund units for transaction purposes

Net asset value per unit is calculated 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.

The difference between net asset value for pricing purposes and net assets for financial reporting purposes results solely from investments in equities, which are valued at their closing sale price for purpose of determining net asset value. As at December 31, 2013 and 2012, the bid price of the investments has less than a 1% variance with their closing sale price, and therefore, a reconciliation between net assets and net asset value has not been presented.

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 unitholder.

Transaction costs

Transaction costs are expensed and are included in "Transaction costs" in the Statements of Operations. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments of the Fund include cash, cash on deposit with broker as collateral, receivable for investments sold, accrued interest, performance fees payable, interest payable on short positions, accounts payable and accrued liabilities, redemptions payable and payable for investments purchased. There are no significant differences between the carrying values of these financial instruments and their fair value. Investments, forward contract, and unfunded bank debt commitments are also financial instruments and are carried at their fair values as described in Note 2 above.

The following tables show financial instruments recorded at fair value, 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).

As at December 31, 2013:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial assets				
Equities and warrants	17,844,328	5,479,936	–	23,324,264
Bonds	–	69,197,159	–	69,197,159
Bank debt	–	141,793,919	–	141,793,919
	17,844,328	216,471,014	–	234,315,342

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial liabilities				
Bonds sold short	–	34,082,832	–	34,082,832
Credit default swaps	–	198,280	–	198,280
Unfunded bank debt commitments	–	222,322	–	222,322
Forward contract	–	2,660,126	–	2,660,126
	–	37,163,560	–	37,163,560

OCP INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS continued

As at December 31, 2012:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial assets				
Equities and warrants	14,827,403	505,642	-	15,333,045
Bonds	-	72,156,558	-	72,156,558
Bank debt	-	135,114,601	-	135,114,601
Credit default swaps	-	1,452,707	-	1,452,707
Forward contract	-	1,341,545	-	1,341,545
	14,827,403	210,571,053	-	225,398,456

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
Financial liabilities				
Bonds sold short	-	28,232,950	-	28,232,950
Unfunded bank debt commitment	-	69,816	-	69,816
	-	28,302,766	-	28,302,766

4. DISTRIBUTIONS

To the extent that the Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Fund will be paid through an additional distribution, being the issuance of additional units having a net asset value in the aggregate at the date of distribution equal to this difference. Immediately after any such additional distribution, the number of outstanding units will be consolidated such that the unitholder will hold after the consolidation the same number of units as it held before the distribution of additional units. Such distribution is at the discretion of the Manager.

5. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

The Manager is entitled to an annual management fee of 0.9375% based on the net asset value of the Fund. This fee is calculated daily and paid monthly in arrears.

In addition, the Manager is entitled to an annual performance fee (the "Performance Fee") once a unitholder of the Fund 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 the Fund 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. The Threshold Amount is the greatest of: (i) the net asset value per unit of the Fund immediately following the closing of the offering; (ii) the net asset value per unit of the Fund on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (iii) the net asset value per unit of the Fund 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 Fund incurred a Performance Fee of \$4,772,724 (2012 - \$1,351,680) of which \$ 4,705,186 was owing as 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.

OCP INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS continued

6. UNITS ISSUED AND OUTSTANDING

The Fund is authorized to issue an unlimited number of transferable and redeemable units of one class, each of which represents an equal undivided interest in the net assets of the Fund. The unitholder is entitled to redeem its units outstanding on any business day and will receive a redemption price equal to the net asset value per unit of the Fund.

Changes in the number of units outstanding for the years ended December 31 are summarized as follows:

	2013 #	2012 #
Units outstanding, beginning of year	22,851,539	25,511,799
Units redeemed during the year	(3,102,928)	(2,660,260)
Distribution satisfied through issuance of units	2,490,729	2,371,142
Consolidation of units	(2,490,729)	(2,371,142)
Units outstanding, end of year	19,748,611	22,851,539

7. 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 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.

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 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 credit worthiness. This represents the main concentration of credit risk. The fair value of the debt securities held in the portfolio includes consideration of the credit worthiness of the issuer. The Schedule of Investments shows which securities 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.

The maximum exposure to any one debt issuer as of December 31, 2013 was \$18,098,451 (2012 - \$14,523,781) representing 7.17% (2012 - 5.54%) of the net assets of the Fund.

OCP INVESTMENT TRUST

NOTES TO FINANCIAL STATEMENTS continued

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

As a % of net assets		
Credit rating	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 Fund has financial liabilities outstanding, including investments sold short, unfunded bank debt commitments, forward contract, performance fees payable, interest payable on short positions, accounts payable and accrued liabilities and payable for investments purchased. 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.

Of the Fund's interest-bearing financial instruments, changes in the prevailing levels of market interest rates is 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 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 ended December 31, 2013 and 2012, the Fund does not have a significant exposure to foreign exchange risk as substantially all of the Fund'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.

Since the Fund does not invest substantially in equity securities, the Fund does not have a significant exposure to other price risk as at December 31, 2013 and 2012.

8. 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 6. The Statements of Changes in Net Assets and Note 6 outline the relevant changes of the Fund's units for the period.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in Note 7 while maintaining sufficient liquidity to meet unitholder redemptions.

NOTES TO FINANCIAL STATEMENTS continued

9. INCOME TAXES

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and will follow “financial institution” rules for purposes of the “mark-to-market” provisions contained in the Income Tax Act (Canada). The Fund 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 unitholder. 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, the excess distribution is a return of capital and is not taxable to the unitholder.

The Fund may be subject to “minimum tax” under the Tax Act. The Manager will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

10. 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) will be impacted and is expected to align with Transaction NAV, eliminating the need for a NAV per unit reconciliation. The impact to the Statements of Financial Position as at January 1, 2013 [see December 31, 2012] and December 31, 2013 is disclosed in note 2 of the Fund’s annual financial statements. The net change in these reconciliation adjustments will have a corresponding impact to retained earnings as of January 1, 2013 and income in the Statements of Comprehensive Income for the year ended December 31, 2013.
- 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 \$193,948,187 and \$58,630,066 (2012 – \$224,421,583 and \$37,696,620), 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 follow:

<u>Canadian GAAP</u>	<u>IFRS</u>
Statements of Net Assets	Statements of Financial Position
Statements of Operations	Statements of Comprehensive Income
Statements of Changes in Net Assets	Statements of Changes in Financial Position
Statement of Investment Portfolio	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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