OCP CREDIT STRATEGY FUND

Annual Financial Statements for the year ended

December 31, 2014

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 International Financial Reporting Standards using information available to March 26, 2015 and management's best estimates and judgements.

The management of the Fund is responsible for the information and representations contained in these Annual Financial Statements and the Annual Management Report of Fund Performance. Management is also responsible for the selection of the accounting principles that are most appropriate for the Fund's circumstances and for the judgements and estimates made in the financial statements. The management of the Fund maintains appropriate processes to ensure that accurate, relevant and reliable financial information is produced.

These financial statements have been approved by the management of the Fund and have been audited by Collins Barrow Toronto LLP, Licensed Public Accountants, Chartered Accountants, on behalf of the unitholders. The auditors' report outlines the scope of their audit and their opinion on the financial statements.

Josh Spierer
Chief Financial Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 26, 2015

Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 26, 2015

Collins Barrow

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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 statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013, and the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2014, December 31, 2013 and January 1, 2013, and its financial performance, its changes in equity and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 26, 2015
Toronto, Ontario

OCP CREDIT STRATEGY FUND

STATEMENTS OF FINANCIAL POSITION

As at (stated in Canadian dollars)

	December 31, 2014 $	December 31, 2013 $	January 1, 2013 $
		[Note 11]	*[Note 11]*
ASSETS			
Current Assets			
Investments held long	**224,104,781**	–	–
Unrealized gain on forward contracts	**435,910**		
Forward Agreement *[Note 1]*		252,603,933	262,156,323
Cash and cash equivalents	**44,309,506**	6,982,365	867,819
Cash on deposit with brokers as collateral	**250,303**	–	–
Receivable for investments sold	**10,885,579**	–	–
Receivable from counterparty under Forward Agreement	**–**	–	7,500,000
Interest and other receivables	**1,245,952**	–	–
Dividends receivable	**5,293**	–	–
Total Assets	**281,237,324**	259,586,298	270,524,142
LIABILITIES			
Current Liabilities			
Investments sold short	**26,309,564**	–	–
Unfunded bank debt commitments	**13,126**	–	–
Accounts payable and accrued liabilities *[Note 5]*	**631,896**	726,714	768,645
Distributions payable *[Note 4]*	**4,612,263**	4,923,054	5,234,218
Payable for investments purchased	**20,146,294**	–	–
Payable for forward contracts	**7,710,292**		
Interest payable	**468,234**	–	–
Total Liabilities	**59,891,669**	5,649,768	6,002,863
EQUITY			
Unit capital	**182,532,352**	194,832,039	228,502,748
Retained earnings	**38,813,303**	59,104,491	36,018,531
Total Equity	**221,345,655**	253,936,530	264,521,279
Total Liabilities and Equity	**281,237,324**	259,586,298	270,524,142
Number of Units Outstanding *[Note 6]*	**26,355,791**	28,131,739	29,909,815
Total Equity/Net Assets per unit	**$8.40**	$9.03	$8.84

See accompanying notes.

STATEMENTS OF COMPREHENSIVE INCOME

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

	2014 $	2013 $
		[Note 11]
INCOME		
Investment Income		
Interest for distribution purposes	**668,641**	11,270
Dividends	**836**	–
	669,477	11,270
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FORWARD AGREEMENT		
Foreign currency gain (loss)	**239,131**	(306)
Other net changes in fair value of investments and Forward Agreement		
Net realized gain (loss) on investments	**117,920**	–
Net realized gain (loss) on Forward Agreement	**63,213,319**	7,423,699
Net change in unrealized appreciation (depreciation) of forward contracts	**435,910**	–
Net change in unrealized appreciation (depreciation) of investments	**(341,161)**	–
Net change in unrealized appreciation (depreciation) of derivatives	**541,554**	–
Net change in unrealized appreciation (depreciation) of Forward Agreement	**(59,273,633)**	20,823,918
Total income	**5,602,517**	28,258,581
EXPENSES		
Dealer service fees *[Note 5]*	**976,665**	1,040,471
Management fees *[Note 5]*	**838,256**	815,717
Transaction costs *[Notes 2 and 5]*	**584,602**	648,630
Harmonized sales tax	**202,834**	201,991
Legal fees	**160,601**	39,222
Interest expense	**112,912**	–
Securityholder reporting costs	**110,108**	88,576
Custodian and valuation fees	**46,340**	45,225
Audit fees	**26,035**	21,515
Independent Review Committee fees	**11,250**	11,250
Trustee fees	**10,000**	10,000
Withholding tax on dividend income (expense)	**936**	–
Total Expenses	**3,080,539**	2,922,597
Profit and total comprehensive income for the year	**2,521,978**	25,335,984
Earnings/(loss) per unit *[Notes 2 and 10]*	**$0.09**	$0.88

See accompanying notes.

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013 (stated in Canadian dollars)

	Unit Capital $	Retained Earnings $	Total Equity $
As at January 1, 2014	194,832,039	59,104,491	253,936,530
Changes in equity for 2014:			
Profit (loss) for the year		2,521,978	2,521,978
Units purchased for cancellation	(599,766)	(184,025)	(783,791)
Redemption of units	(11,699,921)	(3,878,834)	(15,578,755)
Distributions to unitholders			
Capital gains		(18,750,307)	(18,750,307)
As at December 31, 2014	**182,532,352**	**38,813,303**	**221,345,655**
As at January 1, 2013	228,502,748	36,018,531	264,521,279
Changes in equity for 2013:			
Profit (loss) for the year		25,335,984	25,335,984
Units purchased for cancellation	(4,176,638)	(639,801)	(4,816,439)
Redemption of units	(9,407,373)	(1,610,223)	(11,017,596)
Distributions to unitholders			
Return of capital	(20,086,698)		(20,086,698)
As at December 31, 2013 *[Note 11]*	**194,832,039**	**59,104,491**	**253,936,530**

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CASH FLOWS

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

	2014 $	2013 $
		[Note 11]
Cash Flows from Operating Activities		
Profit (loss) for the year	**2,521,978**	25,335,984
Adjustments for:		
Foreign currency (gain) loss	**(239,131)**	306
Net realized (gain) loss on investments	**(117,920)**	–
Net realized (gain) loss on Forward Agreement	**(63,213,319)**	(7,423,699)
Net change in unrealized (appreciation) depreciation on investments	**341,161**	–
Net change in unrealized (appreciation) depreciation on forward contracts	**(435,910)**	–
Net change in unrealized (appreciation) depreciation on derivatives	**(541,554)**	–
Net change in unrealized (appreciation) depreciation of Forward Agreement	**59,273,633**	(20,823,918)
Non-cash working capital changes		
(Increase) decrease in cash on deposit with brokers	**(250,303)**	–
(Increase) decrease in interest and other receivable	**(1,251,245)**	–
Increase (decrease) in interest payable	**468,234**	–
Increase (decrease) in accounts payable and accrued liabilities	**(94,818)**	(41,924)
(Increase) decrease in accrued interest for short-term investments	**(380)**	–
Increase (decrease) in payable for forward contracts	**7,710,292**	
Purchase of investments	**(8,688,320)**	–
Proceeds from sales of investments	**17,910,897**	
Net proceeds from Forward Agreement	**59,118,359**	45,300,000
Net Cash Generated (Used) by Operating Activities	**72,511,654**	42,346,749
Cash Flows from Financing Activities		
Distributions to unitholders	**(19,061,098)**	(20,397,862)
Units purchased for cancellation	**(783,791)**	(4,816,439)
Amount paid on redemption of units	**(15,578,755)**	(11,017,596)
Net Cash Generated (Used) by Financing Activities	**(35,423,644)**	(36,231,897)
Foreign currency gain (loss) on cash and other assets	**239,131**	(306)
Net increase (decrease) in cash and cash equivalents	**37,088,010**	6,114,852
Cash and cash equivalents beginning of year	**6,982,365**	867,819
Cash and Cash Equivalents End of Year	**44,309,506**	6,982,365
Cash and cash equivalents comprise:		
Cash at bank	**44,309,506**	6,982,365
	44,309,506	6,982,365
Interest received, net of withholding tax	**97,688**	11,270
Dividends received, net of withholding tax	**–**	–
Interest paid	**(37,661)**	**–**

See accompanying notes.

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
LONG POSITIONS					
SHORT TERM INVESTMENTS					
10,000,000	U.S. Treasury Bills	January 2, 2015	11,622,854	11,605,510	
25,000,000	U.S. Treasury Bills	January 15, 2015	29,060,980	29,013,616	
Total Short Term Investments			40,683,834	40,619,126	20.49%
BONDS					
12,910,957	ACA Financial Guaranty Corporation	Defaulted	2,213,453	2,210,113	
3,806,324	ACST Pass Through Trust Floating Rate	June 14, 2037	4,324,563	4,318,039	
9,225,000	Altegrity Inc., 9.500%	July 1, 2019	9,765,199	10,117,244	
822,000	Avaya, Inc., 9.000%	April 1, 2019	946,630	975,437	
860,000	Beazer Homes USA, 8.125%	June 15, 2016	1,065,421	1,067,939	
3,000,000	Capmark Financial Group Inc., 6.30%	Defaulted	27,895	27,853	
342,450	Co-Operative Bank PLC., 11.00%	December 20, 2023	714,022	710,342	
5,755,000	Global Ship Lease Inc., 10.00%	April 1, 2019	6,744,716	6,729,061	
5,670,000	International Automotive Components Group, 9.125%	June 1, 2018	6,859,456	6,859,985	
6,053,926	K Hovnanian Enterprises, 7.500%	May 15, 2016	7,323,922	7,377,182	
940,000	K Hovnanian Enterprises, 8.625%	January 15, 2017	1,159,063	1,150,918	
230,000	K Hovnanian Enterprises, 9.125%	November 15, 2020	286,945	284,277	
385,000	Landsbanki Islands HF, 6.10%	Defaulted	43,666	43,564	
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	366,126	378,630	
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	366,126	378,630	
2,250,000	Lehman Brothers Holdings Inc., Floating Rate	Defaulted	366,126	378,630	
645,000	Lehman Brothers Holdings Inc., 3.60%	Defaulted	105,893	109,476	
13,526,000	Lehman Brothers Holdings Inc., 6.20%	Defaulted	2,259,941	2,335,019	
15,900,000	Lehman Brothers Holdings Inc., 6.875%	Defaulted	2,656,591	2,744,847	
1,586,000	Lehman Brothers Treasury Co. BV, 0.00%	Defaulted	377,900	377,330	
48,790,000	Lehman Brothers Treasury Co. BV, 7.585%	Defaulted	1,009,604	1,017,096	
4,480,500	Meritor. Inc., 4.625%	March 1, 2026	5,363,935	5,229,096	
10,850,000	Momentive Performance, 3.880%	October 24, 2021	10,728,080	10,671,697	
1,230,000	PBF Holding Company LLC, 8.250%	February 15, 2020	1,430,798	1,434,615	
1,200,000	Sabine Pass Liquefaction, 5.625%	April 15, 2023	1,384,027	1,361,326	
2,000,000	Smurfit-Stone Container Corporation, 8.375%	Defaulted	1,162	1,161	
1,613,000	Texas Competitive Electric Holdings Company, 11.50%	Defaulted	1,313,426	1,324,417	
450,000	USG Corporation, 7.875%	March 30, 2020	560,105	558,805	
Total Bonds			69,764,791	70,172,729	35.40%

SCHEDULE OF INVESTMENT PORTFOLIO continued

As at December 31, 2014 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
BANK DEBT					
5,781,456	Alon USA Partners, LP, Term Load B	November 26, 2018	6,784,129	6,768,380	
1,567,477	Avaya Inc., Term Loan B6	March 31, 2018	1,781,203	1,791,282	
1,343,314	Avaya Inc., Term Loan B3	October 26, 2017	1,484,480	1,493,051	
5,894,460	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	6,282,483	6,447,471	
17,707,000	Capmark Financial Group Inc.	Defaulted	164,647	164,399	
494,862	Ceva Group PLC (Dutch), Term Loan	March 19, 2021	540,246	535,187	
472,812	Ceva Group PLC (Pre-funded LC), Term Loan	March 19, 2021	516,174	511,340	
682,568	Ceva Group PLC (USD), Term Loan	March 19, 2021	745,167	738,189	
85,321	Ceva Group PLC, Term Loan	March 19, 2021	93,146	92,274	
255,754	Eastman Kodak Company, Term Loan	September 3, 2019	295,283	294,837	
3,874,972	Eitzen Chemical (Singapore) Pte Ltd., Senior Term Loan	May 6, 2016	3,159,903	2,923,116	
317,321	Eitzen Chemical (Singapore) Pte. Ltd. Second Senior Facility, Term Loan	May 6, 2016	7,109	1,142	
122,697	Eitzen Chemical (Singapore) Pte Ltd., Term Loan A	May 6, 2016	142,606	142,396	
3,678,567	Eitzen Chemical (Singapore) Pte Ltd., Term Loan II	May 6, 2016	2,999,742	2,774,956	
1,511,446	Eitzen Chemical (Singapore) Pte Ltd., $170 facility, Term Loan	May 6, 2016	1,057,793	964,760	
101,300	Eitzen Chemical Invest (Singapore) Pte. Ltd $4.7 facility, Term Loan	May 6, 2016	104,858	103,457	
270,979	Eitzen Chemical Sichem Pearl Shipping Co Pte. Ltd. Term Loan	May 6, 2016	202,177	188,691	
4,613,872	Glitnir Bank HF (Euro), Claim	Defaulted	2,028,422	1,959,835	
16,890,413	Glitnir Bank HF (USD), Claim	Defaulted	5,840,460	5,782,642	
127,721	Gold Bridge Shipping (WCRC), Term Loan	Defaulted	148,448	148,226	
4,069,475	Gold Bridge Shipping, Term Loan	Defaulted	3,651,339	3,636,581	
3,783,703	Indiana Toll Road Concession	Defaulted	3,397,311	3,381,208	
15,468,000	Lehman Brothers Specialty Finance Claim	Defaulted	2,606,885	2,647,831	
3,549,698	Navistar Financial Corporation, Term Loan	December 2, 2016	3,891,760	3,862,129	
5,042,925	Navistar Inc., Term loan B	August 17, 2017	5,844,187	5,808,675	
3,150,000	OSX 2 Leasing BV, Term Loan	Defaulted	2,564,968	2,559,014	
2,700,975	Promotora De Informaciones, S.A Tranche 2	December 12, 2018	3,395,502	3,261,726	
1,693,013	Promotora De Informaciones, S.A Tranche 3	December 12, 2019	1,983,489	1,854,314	
838,460	Promotora De Informaciones, S.A, PPL Term Loan	December 11, 2019	821,694	753,513	
92,151	Realogy Group LLC, Extended Synthetic Commitment	October 10, 2016	106,122	105,876	
1,945,114	Sequa Corporation, Term Loan	June 19, 2017	2,190,533	2,195,324	
723,000	Tervita Corporation, Term Loan B	May 15, 2018	649,502	773,351	

SCHEDULE OF INVESTMENT PORTFOLIO continued

As at December 31, 2014 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
4,338,836	Texas Competitive Electric Holdings Company, Revolver	October 10, 2016	3,177,120	3,247,858	
2,150,000	Texas Competitive Electric Holdings Company, 2017 L/C	October 10, 2017	1,611,825	1,609,394	
5,635,000	Texas Competitice Electric Holdings Company, 2017 Term Loan	October 10, 2017	4,208,108	4,201,759	
5,028,038	TORM (DANSKE-BNP)	December 31, 2016	3,928,389	3,909,646	
1,704,151	TORM (NORDEA-DB)	December 31, 2016	1,100,789	1,127,319	
6,031,630	TORM (NORDEA-NORDEA)	December 31, 2016	3,785,718	3,920,006	
3,836,911	YRC Worldwide, Inc., Term Loan	February 13, 2019	4,374,023	4,397,267	
Total Bank Debt			87,667,740	87,078,422	43.93%
EQUITIES AND WARRANTS					
155,500	Air Canada		1,760,260	1,845,785	
30,750	Blackrock Corporate High Yield Fund		387,389	406,831	
335,644	Capmark Financial Group Inc.		1,790,699	1,869,753	
7,360	D.R. Horton Inc.		203,593	216,018	
24,923	Delphi Automotive PLC		2,032,318	2,103,382	
219,717	Eagle Bulk Shipping Inc.		3,590,982	3,740,743	
46,000	Federal Home Loan Mortgage Corporation, Preferred R Series, 7.625%		151,432	180,976	
69,000	Federal Home Loan Mortgage Corporation, Preferred S Series, 8.250%		294,570	309,902	
148,250	Federal Home Loan Mortgage Corporation, Preferred Z Series, 8.375%		672,562	679,604	
97,500	Freddie Mac		225,516	233,097	
235,605	Genco Shipping & Trading Limited		3,791,826	3,691,325	
70,920	General Motors Company, Warrants 'A', July 10, 2016, $10.00		1,777,826	2,064,241	
70,920	General Motors Company, Warrants 'B', July 10, 2019, $18.33		1,117,860	1,399,222	
147,403	Hovnanian Enterprises Inc. 'A'		647,617	706,513	
4,600	Lennar Corporation		223,028	239,220	
45,144	Mach Gen Common Units		2,518,611	2,200,460	
18,095	Motors Liquidation Company GUC Trust		347,309	404,253	
4,125,668	Penson Technologies LLC, Class A		884,250	882,916	
60,160	ProShares UltraShort Euro ETF		1,433,214	1,508,783	
178,500	Rentech Inc.		245,015	261,019	
5,520	Ryland Group Inc.		232,381	247,025	
15,001	Tribune Company		1,028,149	1,040,561	
42	Tribune Company, Warrants, December 31, 2032		2,888	2,875	

SCHEDULE OF INVESTMENT PORTFOLIO continued

As at December 31, 2014 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost $	Fair Value $	% of Portfolio
Total Equities and Warrants			25,359,295	26,234,504	13.24%
Total Long positions			223,475,660	224,104,781	113.06%
FORWARD CONTRACTS					
	United States Dollars				
	Forward currency contract				
	April 30, 2015		–	435,910	
Total Forward Contracts				435,910	0.22%
SHORT POSITIONS					
BONDS					
(1,380,000)	Accuride Corp., 9.50%	August 1, 2018	(1,668,139)	(1,657,614)	
(900,000)	Alpha Natural Resources, 6.25%	June 1, 2021	(329,513)	(302,904)	
(1,410,000)	AMC Networks Inc., 4.750%	December 15, 2022	(1,593,781)	(1,603,649)	
(1,410,000)	Avis Budget Car Rental LLC, 4.875%	November 15, 2017	(1,671,626)	(1,701,831)	
(1,380,000)	Ball Corporation, 4.00%	November 15, 2023	(1,499,721)	(1,561,521)	
(1,380,000)	CenturyLink Inc., 5.80%	March 15, 2022	(1,603,980)	(1,677,634)	
(820,000)	Emeco Property Limited, 9.875%	March 15, 2019	(757,706)	(732,772)	
(2,460,000)	FMG Resources, 6.875%	April 1, 2022	(2,363,361)	(2,398,161)	
(1,380,000)	Goodyear Tire & Rubber Company, 6.50%	March 1, 2021	(1,664,129)	(1,713,669)	
(1,230,000)	Hilton Worldwide Finance LLC, 5.6250%	October 15, 2021	(1,460,014)	(1,505,988)	
(1,380,000)	Jaguar Land Rover Automotive PLC, 5.625%	February 1, 2023	(1,676,159)	(1,697,653)	
(920,000)	Sealed Air Corporation, 5.25%	April 1, 2023	(1,069,320)	(1,099,738)	
(705,000)	Sealed Air Corporation, 6.50%	December 1, 2020	(889,076)	(904,098)	
(1,840,000)	Tronox Finance LLC, 6.375%	August 15, 2020	(2,085,174)	(2,162,106)	
(2,000,000)	US Treasury Note, 2.250%	November 15, 2024	(2,326,635)	(2,337,421)	
(2,150,000)	USG Corporation, 9.75%	January 15, 2018	(2,861,302)	(2,869,461)	
Total Bonds			(25,519,636)	(25,926,220)	(13.08)%
EQUITY					
(97,500)	Fannie Mae Common		(234,582)	(232,531)	(0.11)%
CREDIT DEFAULT SWAP					
(2,050,000)	CDX HY 23	June 20, 2020	(124,603)	(150,813)	
Total Credit Default Swap			(124,603)	(150,813)	(0.08)%
UNFUNDED BANK DEBT COMMITMENT					
(114,003)	Gold Bridge Shipping, Unfunded WCRC	Defaulted	–	–	
(226,199)	Eitzen Chemical (Singapore) Pte. Ltd. Super Senior Facility, Term Loan B	May 6, 2016	(15,521)	(13,126)	
Total Unfunded Bank Debt Commitment			(15,521)	(13,126)	(0.01)%
Total short positions			(25,894,342)	(26,322,690)	(13.28)%
Total Investments			197,581,318	198,218,001	100.00%

NOTES TO FINANCIAL STATEMENTS

December 31, 2014 and 2013
(stated in Canadian dollars)

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 as amended and restated December 16, 2014.

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 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 held the Portfolio securities, net of any amount owing by the Fund to the Counterparty. As such, the return of the Fund was, by virtue of the Forward Agreement, based on the return of the Trust, which, in turn, was based on the performance of the Portfolio.

On November 20, 2014, the Fund announced that the originally scheduled termination date of the Forward Agreement had been extended from November 20, 2014 to December 29, 2014 (the ''Termination Date''). Just prior to the Termination Date, the Forward Agreement was unwound in full (the ''Forward Unwind''). Subsequent to the Forward Unwind, the Portfolio was held directly by the Fund whereas prior to the Forward Unwind, the Fund obtained exposure to the Portfolio through the Forward Agreement.

The Fund's investment objectives were amended on or about the Termination Date to remove all references to the use of forward agreements to gain exposure to the Portfolio, to delete references to ''tax-advantaged'' and to clarify that the Fund will invest directly in securities similar to those held by the Trust prior to the Termination Date.

The investment objectives of the Fund after the amendments are: (i) to maximize total returns for unitholders; (ii) to provide unitholders with attractive, quarterly distributions, initially targeted to be $0.70 per annum, representing an annual yield of 7% based on the original issue price of $10.00 per Unit; and (iii) to preserve capital.

The amendments to the investment objectives of the Fund are clarifications and will not change the portfolio that unitholders were previously exposed to indirectly through the Trust.

The manager of the Fund is Onex Credit Partners, LLC (the ''Manager''), as such, the Fund is dependent on the Manager for the administration and management of all matters relating to its operations.

The Fund's registered office is at 161 Bay Street, 49th Floor, Toronto, Ontario, M5J 2S1.

The financial statements of the Fund for the year ended December 31, 2014 were authorized for issue by the Manager on March 26, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Basis of preparation
The financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Fund adopted IFRS on January 1, 2014 with a transition date of January 1, 2013 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP).

Subject to certain transition elections disclosed in Note 11, the Fund has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 11 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements prepared under Canadian GAAP.

The financial statements have been prepared on a going concern basis using the historical cost convention except for financial assets and financial liabilities measured at fair value.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Significant estimates include the valuation of the Forward Agreement, investments, forward contracts and unfunded bank debt commitments, determination of functional currency, classification of redeemable units and classification of the Fund as an investment entity. These estimates are based on information available as at the reporting date. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS continued

Functional currency
The financial statements are presented in Canadian dollars (CAD), which is the currency of the primary economic environment in which the Fund operates and is considered the functional currency of the Fund.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions.

Financial instruments
The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

(i) Classification and recognition of financial instruments

The Fund classifies financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* (IAS 39).

Financial assets and liabilities at fair value through profit or loss
The category of financial assets and liabilities at fair value through profit or loss (FVTPL) is sub-divided into:

Financial assets and liabilities held for trading: Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. All derivatives are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Funds' policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: All investments held by the Fund (other than derivatives) are designated as fair value through profit or loss upon initial recognition. The Fund includes both long and short positions of equities, bonds, and other interest-bearing investments in this category. These financial assets and liabilities are designated upon initial recognition on the basis that they are part of a group of financial instruments that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's prospectus.

The classification of financial instruments depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Fund's designation of such instruments.

Other financial assets and liabilities
All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. Included in loans and receivables are Receivable from counterparty under Forward Agreement, receivable for investments sold, interest and other receivables, dividends receivable and cash and cash equivalents. Included in other financial liabilities are accounts payable and accrued liabilities, distributions payable, payable for investments purchased, payable for forward contracts and interest payable. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate.

(ii) Valuation of financial instruments

Financial assets and financial liabilities at FVTPL are recorded in the statements of financial position at fair value upon initial recognition. Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in the statement of comprehensive income. All other financial assets and liabilities (other than those classified as FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments which are classified as FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded as ''unrealized appreciation (depreciation) of investments'' in the statements of comprehensive income. ''net realized gain (loss) on investments'', ''net change in unrealized appreciation (depreciation) of investments, ''net realized gain (loss) on Forward Agreement'' and ''net change in unrealized appreciation (depreciation) of Forward Agreement'' are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

The Fund meets the definition of an investment entity within IFRS 10 *Consolidated Financial Statements* and is required to measure its subsidiaries, if any, at FVTPL rather than consolidate them. The fair values of each specific type of investment and derivative are determined in the following manner:

Portfolio investments
In the case of publicly traded securities, fair value means the close or last traded price when the price falls within the day's bid-ask spread. For bonds and bank debt (including unfunded bank debt commitments), fair market value means the bid price provided by independent security

NOTES TO FINANCIAL STATEMENTS continued

pricing services or broker quotes for investments held long and ask price for investments sold short. In the circumstance where the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions, or a different point within the bid-ask spread that the Manager determines to be more representative of fair value.

Derivatives
The Fund is permitted to invest in forward foreign currency contracts to hedge foreign currency exposure on the investment portfolio. The value of forward currency contracts is recorded as the unrealized gain or loss that would be realized if the position was to be closed out and recorded as ''unrealized gain (loss) on forward contracts'' in the statements of financial position. Upon maturity of the contracts, the difference between the carrying value and the fair value is included in ''net realized gain (loss) on forward contracts'' in the statements of comprehensive income.

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. Unrealized gains and losses on derivatives are included in the statements of comprehensive income under ''net change in unrealized appreciation (depreciation) of derivatives''. Realized gains and losses on credit default swaps, options and warrants are included in the statements of comprehensive income under ''Net realized gain (loss) on derivatives''.

Short Sales
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 comprehensive income in ''net change in unrealized appreciation (depreciation) of investments''. When the short position is closed out, the gain and loss is realized and included in the statements of comprehensive income in ''Net realized gain (loss) on 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. Cash on deposit with brokers as collateral is noted in the statements of financial position.

Forward Agreement
Prior to the unwind, the Forward Agreement was valued at an amount that would be realized if the position was to be closed out in accordance with its terms, in which case fair value would be based on the net asset value (NAV) of the Trust. The Forward Agreement was categorized as held for trading and changes in fair value were reflected in the Fund's statements of comprehensive income under ''Net change in unrealized appreciation of Forward Agreement.''

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Cash and cash equivalents
Cash and cash equivalents in the statements of financial position comprise short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

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

Net realized gain/loss on investments and net change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Average cost does not include amortization or premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Redeemable participating units
The Fund's redeemable units meet the criteria of equity classification of puttable instruments in accordance with IAS 32, *Financial Instruments: Presentation* (IAS 32). All redeemable unitholders are classified as unit capital in the statements of financial position. The movement in unit capital is shown in the statements of changes in equity.

NOTES TO FINANCIAL STATEMENTS continued

Valuation of Fund Units

The value at which units are redeemed is the Net Asset Value per unit. Net asset value per unit was calculated at the end of Thursday of each week, on the annual redemption date and on such other dates as the Manager deems appropriate prior to the Forward Unwind and daily thereafter by dividing the net asset value by its outstanding units. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the statements of changes in equity.

Earnings (loss) Per Unit

Earnings (loss) per unit are based on the profit and total comprehensive income for the period divided by the weighted average number of units outstanding during the period.

Future Accounting Pronouncements – IFRS 9 *Financial Instruments* ("*IFRS 9*")

In July 2014, the IASB issued the final version of IFRS 9, first issued on November 2009, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 introduces a principles-based approach to the classification of financial assets based on an entity's business model and the nature of the cash flows of the asset. It introduces a forward-looking impairment model for financial assets which will be applicable for all financial instruments subject to impairment accounting and requires more timely recognition of expected credit losses. Finally, it introduces a new hedge accounting model that aligns the accounting for hedge relationship more closely with risk management. IFRS 9 will be effective for the Fund on January 1, 2018. The Fund is currently assessing the impact of adopting IFRS 9 on the financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The breakdown of the Fund into the three-level hierarchy is as follows:

As at December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	23,148,237	3,086,267	–	26,234,504
Bonds	–	70,172,729	–	70,172,729
Short term notes	–	40,619,126	–	40,619,126
Bank debt	–	87,078,422	–	87,078,422
Forward contracts	–	435,910	–	435,910
Total	**23,148,237**	**201,392,454**	**–**	**224,540,691**

	Level 1	Level 2	Level 3	Total
Financial liabilities				
Equities	232,531	–	–	232,531
Bonds sold short	–	25,926,220	–	25,926,220
Credit default swap	–	150,813	–	150,813
Unfunded bank debt commitment	–	13,126	–	13,126
Total	**232,531**	**26,090,159**	**–**	**26,322,690**

NOTES TO FINANCIAL STATEMENTS continued

The Forward Agreement was also a financial instrument and was carried at its fair value as described in Note 2 above. The Forward Agreement was considered level 2.

4. DISTRIBUTIONS

An objective of the Fund is to provide unitholders with attractive, quarterly distributions initially 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

Prior to the Forward Unwind, the Manager was entitled to an annual management fee of 0.3125% based on the NAV of the Fund, as well as an annual fee of 0.9375% based on the NAV of the Trust (total overall management fee of 1.25%). These fees were calculated weekly and paid monthly in arrears. Post Forward Unwind, the Manager is entitled to an annual management fee of 1.25% based on the NAV of the Fund, calculated daily and paid monthly in arrears. During the year ended December 31, 2014, the Fund incurred a management fee of $838,256 (December 31, 2013 – $815,717) of which $140,986 was owing at December 31, 2014 (December 31, 2013 – $73,106, January 1, 2013 – $73,385).

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

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 the year ended December 31, 2014, the Trust incurred a Performance Fee of $120,583 (December 31, 2013 – $4,772,724).

Under the Forward Agreement, the Fund paid to the counterparty an annual fee as negotiated with the counterparty, of the notional amount of the Forward Agreement (being equal to the NAV of the Trust), calculated weekly and paid quarterly in arrears.

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. REDEEMABLE UNITS

Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. The Fund has assessed the unitholder's structure and has determined that equity treatment is the most appropriate classification. Unit capital amounts are determined on a per unit average cost basis.

The Fund is authorized to issue an unlimited number of transferable and redeemable units of one class, each of which is entitled to one vote at all unitholder meetings and represents an equal, undivided interest in the net assets of the Fund.

Units may be surrendered annually for redemption during the 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 NAV per unit determined as of the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption.

NOTES TO FINANCIAL STATEMENTS continued

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

	2014 #	2013 #
Redeemable units outstanding, beginning of period	**28,131,739**	29,909,815
Redemption of redeemable units	**(1,689,348)**	(1,231,376)
Redeemable units purchased for cancellation	**(86,600)**	(546,700)
Redeemable units outstanding, end of period	**26,355,791**	28,131,739

Under a normal course issuer bid, which will expire on July 16, 2015, 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 year ended December 31, 2014, 86,600 units (2013 – 546,700 units) were purchased under this normal course issuer bid at an average price of $9.05 per unit (2013 – $8.81 per unit). When units are redeemed, the average cost of the units is deducted from unit capital and the difference between average cost and redemption price is taken to retained earnings.

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 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.

Subsequent to the Forward Unwind, the Portfolio was held directly by the Fund whereas prior to the Forward Unwind, the Fund obtained exposure to the Portfolio held in the Trust through the Forward Agreement. As such, the following incorporates the risk and risk management applicable to the Fund and the Trust.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund mitigates such risk by entering into investment transactions with high credit quality financial institutions.

The Fund invests primarily in senior 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.

Within the Fund's Portfolio, the maximum exposure to any one debt issuer as of December 31, 2014 was $10,671,698 representing 4.82% of the net assets of the Fund (December 31, 2013 – $18,098,451 or 7.17% of the Trust's net assets, January 1, 2013 – $14,523,781 or 5.54% of the Trust's net assets).

As at December 31, 2014, December 31, 2013 and January 1, 2013, net exposure to debt securities by credit rating is as follows.

NOTES TO FINANCIAL STATEMENTS continued

As at

	As a % of Net Assets		
Credit Rating	**December 31, 2014**	**December 31, 2013**	**January 1, 2013**
AA	**–**	– 0.86%	– 0.87%
A	**1.95%**	3.40%	2.09%
BBB	**– 1.08%**	– 1.02%	– 2.13%
BB	**5.45%**	– 3.47%	3.59%
B	**15.08%**	19.58%	18.98%
CCC	**9.23%**	9.54%	8.30%
CC	**–**	1.92%	4.85%
C	**–**	–	2.65%
D	**4.57%**	–	1.94%
NR*	**23.99%**	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, accounts payable and accrued liabilities, distributions payable, payable for investments purchased, payable for forward contracts and interest payable. These financial liabilities are all current and are expected to be settled within four months. The Fund expects to have sufficient liquid assets to settle these financial liabilities.

Redeemable units are redeemable at the holder's option subject to the conditions outlined in Note 6. The Manager expects to have significant liquid assets to settle any redemptions.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Of the Fund's interest-bearing financial instruments, 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 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, 2014, December 31, 2013 and January 1, 2013, the Fund does not have 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 and warrants 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 subject to normal market fluctuations and the risks inherent in investment in financial markets. The Manager moderates this risk through a careful selection of securities within the parameters of the Fund's investment strategies and through diversification of the investment portfolios. As at December 31, 2014, approximately 11.9% of the Fund's net assets are subject to other price risk (December 31, 2013 – 9.2% of the Trust's net assets; January 1, 2013 – 5.8% of the Trust's net assets). Management's best estimate of the effect on total equity as at December 31, 2014, due to a reasonably possible increase or decrease of 5% in the equity markets, with all other variables held constant, would approximately amount to an increase or decrease of $1,312,000 (December 31, 2013 – $1,162,000; January 1, 2013 – $767,000) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

NOTES TO FINANCIAL STATEMENTS continued

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category. A summary of the Fund's concentration risk by product type as at December 31, 2014 is shown in the Fund's schedule of investment portfolio.

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 equity and Note 6 outline the relevant changes of the Fund's units for the periods.

The Fund's objectives in managing its capital in respect of the units are to provide unitholders with attractive, quarterly distributions initially 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 NAV.

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 distributions and redemptions.

9. TAXATION

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is not subject to tax on that portion of its income, including net realized capital gains for its taxation year that is paid or payable to its unitholders. Income tax on net realized capital gains not paid or payable will be generally recoverable by virtue of refunding provisions contained in the Income Tax Act (Canada) and provincial income tax legislation, as redemptions occur. It is the intention of the Fund to pay all net taxable income and sufficient net taxable gains so that the Fund will not be subject to income taxes. If the Fund distributes more than it earns, this excess distribution is a return of capital and is not taxable to unitholders.The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

10. EARNINGS (LOSS) PER UNIT

Earnings (loss) per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

	2014	2013
Profit for the year	**$2,521,978**	$25,335,984
Weighted average units outstanding during the year	**26,785,335**	28,737,842
Earnings (loss) per unit	**$0.09**	$0.88

11. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized as follows:

(i) Transition election

The Fund did not apply any transition exceptions or exemptions to full retrospective application of IFRS, except for the voluntary exemption to designate a financial asset or financial liability at FVTPL upon transition to IFRS. All financial assets and liabilities designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP.

(ii) Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative period without exception.

(iii) Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability unless they meet the criteria mentioned in IAS 32. The Fund's units meet the criteria in IAS 32 for classification as equity and therefore, have

NOTES TO FINANCIAL STATEMENTS continued

been classified as equity on transition to IFRS as it was classified under Canadian GAAP. The amount of unit capital and retained earnings for the periods ended December 31, 2014, December 31, 2013 and January 1, 2013 are disclosed in the statements of changes in equity.

(iv) Revaluation of investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments – Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of midmarket pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

There was no change in net asset value per unit as of December 31, 2013 and January 1, 2013 and earnings (loss) per unit for the period ended December 31, 2013.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS:

Net assets	December 31, 2013	January 1, 2013
Net assets as reported under Canadian GAAP	253,939,416	264,517,470
Revaluation of investments at FVTPL	(2,886)	3,809
Net assets attributable to unit holders	253,936,530	264,521,279

Comprehensive income	December 31, 2013
Comprehensive income as reported under Canadian GAAP	25,342,679
Revaluation of investments at FVTPL	(6,695)
Increase in net assets attributable to redeemable unit holders	25,335,984

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