

OCP CREDIT STRATEGY FUND

Annual Financial Statements for the year ended
December 31, 2016

OCP CREDIT STRATEGY FUND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of OCP Credit Strategy Fund (the "Fund") are the responsibility of the management of the Fund. They have been prepared in accordance with International Financial Reporting Standards using information available to March 27, 2017 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 27, 2017



Michael Gelblat
Chief Executive Officer
Onex Credit Partners, LLC,
The Manager of the Fund
March 27, 2017

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, 2016 and December 31, 2015, the statements of comprehensive income, changes in equity and cash flows 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 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, 2016 and December 31, 2015, and its financial performance, its changes in equity and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Licensed Public Accountants
Chartered Professional Accountants
March 27, 2017
Toronto, Ontario

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OCP CREDIT STRATEGY FUND

STATEMENTS OF FINANCIAL POSITION

As at (stated in Canadian dollars)

	December 31, 2016 \$	December 31, 2015 \$
ASSETS		
Investments held long	121,128,044	152,261,887
Unrealized gain on forward contracts <i>[Note 3]</i>	692,287	-
Cash and cash equivalents	24,651,765	39,118,274
Receivable for investments sold	26,676	2,427,870
Interest and other receivables	1,139,747	5,730,160
Total Assets	147,638,519	199,538,191
LIABILITIES		
Investments sold short	9,149,238	18,132,081
Unfunded bank debt commitments	11,109	-
Unrealized loss on forward contracts <i>[Note 3]</i>	-	8,569,442
Accounts payable and accrued liabilities <i>[Note 6]</i>	405,423	516,856
Redemptions payable	-	955,171
Distributions payable <i>[Note 5]</i>	3,128,310	4,199,872
Payable for investments purchased	6,979,443	3,655,380
Interest payable	54,268	172,407
Total Liabilities	19,727,791	36,201,209
EQUITY		
Unit capital	102,584,992	150,535,600
Retained earnings	25,325,736	12,801,382
Total Equity	127,910,728	163,336,982
Total Liabilities and Equity	147,638,519	199,538,191
Number of Units Outstanding <i>[Note 7]</i>	17,876,056	23,851,108
Total Equity/Net Assets per unit	\$7.16	\$6.85

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF COMPREHENSIVE INCOME

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

	2016 \$	2015 \$
INCOME		
Investment Income		
Interest for distribution purposes	7,564,747	10,058,403
Dividends	271,661	179,368
	7,836,408	10,237,771
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS		
Foreign currency (loss) gain	(7,013,917)	10,310,867
Other net changes in fair value of investments		
Net realized gain (loss) on investments	(1,792,273)	3,246,925
Net realized gain (loss) on derivatives	32,112	519,063
Net realized gain (loss) on forward contracts	124,224	(25,862,021)
Net change in unrealized appreciation (depreciation) of forward contracts	9,261,729	(9,005,352)
Net changes in unrealized appreciation (depreciation) of investments	13,307,870	(4,552,173)
Net change in unrealized appreciation (depreciation) of derivatives	(405,167)	67,918
Total income/(loss)	21,350,986	(15,037,002)
EXPENSES		
Management fees <i>[Note 6]</i>	1,669,060	2,423,248
Interest expense	677,483	1,807,930
Dealer service fees <i>[Note 6]</i>	528,089	775,439
Harmonized sales tax	209,783	329,262
Custodian and valuation fees	164,208	78,243
Securityholder reporting costs	78,664	112,947
Other administration costs	42,236	157,860
Audit fees	36,021	39,500
Withholding tax on dividend income (expense)	35,850	22,831
Independent Review Committee fees	18,945	12,000
Transaction costs <i>[Notes 6]</i>	14,576	37,699
Legal fees	13,099	53,422
Trustee Fees	10,000	10,000
Total Expenses	3,498,014	5,860,381
Profit (loss) and total comprehensive income (loss) for the years	17,852,972	(20,897,383)
Profit/(loss) per unit <i>[Notes 11]</i>	\$0.92	\$(0.85)

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2016 and 2015 (stated in Canadian dollars)

	Unit Capital \$	Retained Earnings \$	Total Equity \$
As at January 1, 2016	150,535,600	12,801,382	163,336,982
Changes in equity for 2016:			
Profit (loss) for the year	-	17,852,972	17,852,972
Redemption of units	(37,711,373)	(2,008,980)	(39,720,353)
Distributions to unitholders			
Income	-	(3,319,638)	(3,319,638)
Return of capital	(10,239,235)	-	(10,239,235)
As at December 31, 2016	102,584,992	25,325,736	127,910,728
As at January 1, 2015	182,532,352	38,813,303	221,345,655
Changes in equity for 2015:			
Profit (loss) for the year	-	(20,897,383)	(20,897,383)
Redemption of units	(17,346,688)	(2,552,722)	(19,899,410)
Distributions to unitholders			
Income	-	(2,561,816)	(2,561,816)
Return of Capital	(14,650,064)	-	(14,650,064)
As at December 31, 2015	150,535,600	12,801,382	163,336,982

See accompanying notes.

OCP CREDIT STRATEGY FUND

STATEMENTS OF CASH FLOWS

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

	2016 \$	2015 \$
Cash Flows from Operating Activities		
Profit (loss) for the year	17,852,972	[20,897,383]
Adjustments for:		
Net realized loss (gain) on investments	1,792,273	(3,246,925)
Net realized loss (gain) on derivatives	(32,112)	(519,063)
Net realized (gain) loss on forward contracts	(124,224)	25,862,021
Net change in unrealized depreciation (appreciation) on investments	(13,307,870)	4,552,173
Net change in unrealized (appreciation) depreciation on forward contracts	(9,261,729)	9,005,352
Net change in unrealized depreciation (appreciation) on derivatives	405,167	(67,918)
Non-cash working capital changes		
Decrease in cash on deposit with brokers for swaps	-	250,303
Decrease (increase) in interest and other receivables	4,590,413	(4,478,915)
Decrease in interest payable	(118,139)	(295,827)
Decrease in accounts payable and accrued liabilities	(111,433)	(115,040)
Increase in accrued interest for short-term investments	-	380
Decrease in payable for forward contracts	-	(7,710,292)
Purchase of investments	(72,048,376)	(224,937,693)
Proceeds from sales of investments and settlement of forward contracts	111,202,508	253,976,105
Net Cash Generated by Operating Activities	40,839,450	31,377,278
Cash Flows from Financing Activities		
Distributions to unitholders	(14,630,435)	(17,624,271)
Amount paid on redemption of units	(40,675,524)	(18,944,239)
Net Cash Used by Financing Activities	(55,305,959)	(36,568,510)
Net (decrease) increase in cash and cash equivalents	(14,466,509)	(5,191,232)
Cash and cash equivalents beginning of year	39,118,274	44,309,506
Cash and Cash Equivalents end of year	24,651,765	39,118,274
Interest received, net of withholding tax	8,350,083	9,379,272
Dividends received, net of withholding tax	235,811	161,830
Interest paid	(795,622)	(2,103,757)

See accompanying notes.

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO

As at December 31, 2016 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
LONG POSITIONS					
BONDS					
12,910,957	ACA Financial Guaranty Corporation	Defaulted	2,213,453	1,559,908	
2,449,000	Allegheny Ludlum Corporation, 6.95%	December 15, 2025	2,750,850	2,958,894	
86,000	Allegheny Technologies Incorporated, 5.95%	January 15, 2021	93,645	111,699	
300,000	Alliance One Intl Inc., 8.500%	April 15, 2021	394,799	408,776	
4,741,000	Altegrity Inc., 9.500%	July 1, 2019	5,018,625	6,539,581	
927,000	Avaya Inc., 9.00%	April 1, 2019	1,018,494	1,098,228	
2,006,000	CITGO Holdings Inc., 10.750%	February 15, 2020	2,473,254	2,888,194	
638,000	Cobalt International Energy Inc., 2.625%	December 1, 2019	564,718	336,170	
19,000	Commonwealth of Puerto Rico, 5.00%	Defaulted	4,033	4,559	
960,000	Commonwealth of Puerto Rico, 5.50%	Defaulted	812,726	802,248	
320,000	Commonwealth of Puerto Rico, 5.90%	Defaulted	262,898	259,628	
460,000	Crmsn Mr Sub, Inc. / Ortho-Clinical Diagnostics, Inc., 6.625% PVT 144A	May 15, 2022	443,667	548,055	
190,000	Crmsn Mr Sub, Inc. / Ortho-Clinical Diagnostics, Inc., 6.625% PVT REGS	May 15, 2022	202,420	226,371	
300,000	Emeco PTY Limited 9.875%	March 15, 2019	314,351	310,106	
2,027,000	Gates Global LLC, 6.000%	July 15, 2022	2,067,205	2,661,281	
431,120	Glitnir Holdco Amortizing Zero Coupon Convertible Notes	December 31, 2030	480,891	255,054	
1,234,000	Hexion Inc., 6.625%	April 15, 2020	1,359,257	1,466,076	
2,335,000	Hornbeck Offshore Services, Inc., 5.00%	March 1, 2021	1,793,361	2,100,196	
440,000	Hornbeck Offshore Services, Inc., 5.875%	April 1, 2020	413,086	422,335	
372,000	Intelsat Jackson Holdings, 7.250%	April 1, 2019	389,025	419,489	
1,099,000	Intelsat Jackson Holdings, 7.250%	October 15, 2020	1,291,019	1,143,398	
1,415,000	Intelsat Jackson Holdings, 7.500%	April 1, 2021	1,423,747	1,448,420	
240,000	Intelsat Jackson Holdings, 7.750%	June 1, 2021	89,010	105,517	
1,399,000	International Automotive Components Group, 9.125% 144A	June 1, 2018	1,692,483	1,812,354	
750,000	International Automotive Components Group, LLC 9.125% REGS	June 1, 2018	923,292	971,598	
460,000	K Hovnanian Enterprises, 5.00%	November 1, 2021	440,347	463,145	
675,000	K Hovnanian Enterprises, 7.00% REGS	January 15, 2019	592,171	770,231	
690,000	K Hovnanian Enterprises, 7.00% 144A	January 15, 2019	639,304	787,347	
230,000	K Hovnanian Enterprises, 9.125%	November 15, 2020	286,945	247,011	
2,000,000	Lehman Brothers Holding Inc., Floating Rate	Defaulted	107,355	154,382	
1,256,537	Lehman Brothers Holdings Inc., 6.20%	Defaulted	69,153	100,030	
48,790,000	Lehman Brothers Treasury Co. BV, 7.585%	Defaulted	185,608	454,710	
1,586,000	Lehman Brothers Treasury Co. BV, 0.000%	Defaulted	132,311	174,588	
5,401,000	Momentive Performance, 3.880%	October 24, 2021	5,296,094	6,815,538	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO continued

As at December 31, 2016 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
572,000	Momentive Performance, 4.690%	April 24, 2022	585,003	660,378	
938,000	Nortel Networks Limited, 10.125%	Defaulted	1,163,145	1,259,218	
3,021,000	Nortel Networks Limited, 10.750%	Defaulted	3,713,908	4,065,680	
1,552,000	Pershing Square Holdings Inc., 5.50%	July 15, 2022	1,854,902	2,062,648	
2,000,000	Smurfit-Stone Container Corporation, 8.375%	Defaulted	1,162	1,342	
1,150,000	Terraform Power Operating, LLC Step SR Lien 6.375% REGS	February 1, 2023	1,528,663	1,563,115	
1,613,000	Texas Competitive Electric 11.5% USD Holdings Company LLC Escrow	Defaulted	16,020	16,240	
43,590	TXU EFH Claim	Defaulted	23,089	7,900	
111,857	VISTRA TRA (FKA TXU)	Defaulted	209,366	195,211	
			45,334,855	50,656,849	44.96%

BANK DEBT

1,712,336	Alon USA Partners, LP, Term Loan B	November 26, 2018	2,009,304	2,287,234	
830,000	Alpha Natural Resources, Inc.	Defaulted	-	55,712	
1,033,152	Avaya Inc., Term Loan B6	March 31, 2018	1,174,023	1,204,917	
1,715,739	Azure Midstream Energy LLC, TL	November 15, 2018	2,043,375	2,119,030	
1,291,005	Bioplan USA Inc., Term Loan	September 23, 2021	1,311,605	1,631,289	
251,717	C&J Energy Services Inc., Initial Tranche B-1 Term Loan	Defaulted	276,020	383,818	
132,403	C&J Energy Services Inc., Initial Tranche B-2 Term Loan	Defaulted	141,810	201,518	
3,297,074	Caesars Entertainment Resort Properties LLC, Term Loan B	October 11, 2020	3,514,114	4,469,311	
2,033,000	Caesars Entertainment Operating Company, Inc. TL B5	March 1, 2017	2,943,093	2,943,443	
662,864	Ceva Group PLC (Dutch), Term Loan	March 19, 2021	736,832	724,124	
646,352	Ceva Group PLC (Pre-funded LC), Term Loan	March 19, 2021	718,478	706,087	
914,294	Ceva Group PLC (USD), Term Loan	March 19, 2021	1,016,320	998,792	
114,287	Ceva Group PLC, Term Loan	March 19, 2021	127,040	124,849	
1,317,120	CITGO Holding Inc., Term Loan	May 12, 2018	1,641,367	1,789,386	
2,071,300	Commercial Barge Line Company, Initial Term Loan	November 12, 2020	2,584,628	2,613,780	
457,641	Crosby US Acquisition Corp. Initial First Lien TL	November 23, 2020	489,797	549,341	
690,000	Cumulus Media Holdings Inc. TL	December 23, 2020	626,798	602,089	
248,430	Eastman Kodak Company, Term Loan	September 3, 2019	286,827	334,756	
1,606,032	Federal-Mogul Corporation, Tranche B Term Loan	April 15, 2018	1,966,207	2,144,698	
545,651	Federal-Mogul Corporation, Tranche C Term Loan	April 15, 2021	639,916	724,040	
201,913	Gardner Denver, Inc., Initial Dollar Term Loan	July 30, 2020	232,076	267,839	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO continued

As at December 31, 2016 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
920,383	HGIM Corporation, Term Loan A	June 18, 2018	872,780	1,121,279	
2,441,829	HGIM Corporation, Term Loan B	June 18, 2020	2,048,985	2,545,941	
2,928,000	Intelsat Jackson Holdings S.A., Tranche B-2 Term Loan	June 30, 2019	3,535,516	3,795,226	
10,100,000	Lehman Brothers Specialty Finance Claim	Defaulted	514,619	881,318	
2,386,816	Navistar Inc., Term loan B	August 7, 2020	2,963,785	3,243,432	
3,150,000	OSX 2 Leasing BV, Term Loan	Defaulted	2,564,968	179,298	
2,881,100	Peabody Energy Corp. Revolving Credit Loan	September 24, 2018	3,355,480	3,693,684	
493,000	Peabody Energy Corp. TL	September 24, 2020	539,374	643,297	
1,128,048	Promotora De Informaciones S.A., PPL Term Loan	December 12, 2019	1,169,971	1,256,366	
3,080,210	Promotora De Informaciones S.A., Tranche 2	December 12, 2018	3,747,217	3,927,412	
571,488	Promotora De Informaciones S.A., Tranche 3	December 12, 2019	671,605	684,940	
1,905,418	Sequa Corporation, Term Loan	June 19, 2017	2,145,828	2,431,630	
244,000	Strike LLC. TL	November 30, 2022	317,459	319,369	
31,077	TXU EFH CLAIM EXT LC	Defaulted	16,461	5,632	
63,204	TXU EFH CLAIM EXT RC	Defaulted	33,478	11,455	
42,130	TXU EFH CLAIM EXT TL	Defaulted	22,315	7,635	
1,803,373	Veritas US Inc., (USD) Initial Dollar Term B-1 Loan	January 27, 2023	1,970,347	2,229,279	
2,430,654	YRC Worldwide Inc., Term Loan	February 13, 2019	2,779,950	3,226,323	
Total Bank Debt			53,749,768	57,079,569	50.67%
EQUITIES AND WARRANTS					
33,920	AIP/MPM Holdings, Inc.		332,294	364,287	
46,987	Air Canada		531,893	642,312	
4,991	Alpha Natural Resources Holdings, Inc. PFD		66	36,181	
4,991	Alpha Natural Resources Inc. PFD USD		6,569	134,003	
306,953	Bluestem Group Inc.		1,614,611	453,276	
7,919	Contura Energy, Inc. CMN		255,919	754,791	
4,208	C&J Energy Services, Inc. Rights		75,359	76,714	
8,223	Delphi Automotive PLC		670,535	743,474	
1,068	Eagle Bulk Shipping Inc., Warrants, October 15 2021		-	87	
16,000	Federal Home Loan Mortgage Corporation, Preferred R Series 7.625%		52,672	170,760	
29,000	Federal Home Loan Mortgage Corporation, Preferred S Series 8.250%		123,805	311,448	
98,250	Federal Home Loan Mortgage Corporation, Preferred Z Series 8.375%		445,729	997,132	
72,500	Freddie Mac		167,691	364,005	
11,000	Hornbeck Offshore Services, Inc CMN		77,731	106,617	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO continued

As at December 31, 2016 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
175,568	Hovnanian Enterprises Inc. 'A'		665,131	643,437	
45,144	Mach Gen Common Units		-	121,207	
18,095	Motors Liquidation Company GUC Trust		178,509	204,050	
4,125,668	Penson Technologies LLC, Class A		598,796	581,543	
327,286	RTS/Sanofi – Aventis		60,996	166,959	
2,062,903	Team Tankers International Limited		3,526,043	3,783,695	
22,507	TORM A/S, Common		382,763	271,590	
22,801	TORM A/S, Warrants		-	17,332	
9,651	Tribune Company		661,467	453,200	
42	Tribune Company, Warrants, December 31, 2032		2,888	1,947	
243,860	Vantage Drilling Company		128,562	5,074	
3,051	Vantage Drilling International		361,546	413,677	
71,957	Vistra Operations Company LLC. CMN		1,537,522	1,497,279	
Total Equities and Warrants			12,459,097	13,316,077	11.82%
CREDIT DEFAULT SWAPS					
1,850,000	Nordstrom Inc., 5 Year	March 20, 2020	(63,766)	(19,059)	
3,700,000	The Gap Inc., 5 Year	March 20, 2020	(48,513)	94,608	
Total Credit Default Swaps			(112,279)	75,549	0.07%
Total Investments held long			111,431,441	121,128,044	107.52%
FORWARD CONTRACTS					
United States Dollars					
Forward currency contract					
January 31, 2017				692,287	
Total Forward Contracts				692,287	0.61%
Total Long positions			111,431,441	121,820,331	108.13%
UNFUNDED BANK DEBT COMMITMENT					
183,900	Peabody Energy Corp. Revolving Credit Loan	September 24, 2018	(31,698)	(11,109)	
Total Unfunded Bank Debt Commitment			(31,698)	(11,109)	(0.01)%
SHORT POSITIONS					
BONDS					
(380,000)	Ball Corporation, 4.00%	November 15, 2023	(412,967)	(503,754)	
(511,000)	Ineos Group Holdings SA, 5.875%	February 15, 2019	(667,568)	(702,113)	
(1,697,000)	Macy's Retail Holdings, Inc. 3.625%	June 1, 2024	(2,184,583)	(2,238,794)	

OCP CREDIT STRATEGY FUND

SCHEDULE OF INVESTMENTS PORTFOLIO continued

As at December 31, 2016 (stated in Canadian dollars)

Number of Shares, Units Par Value	Description	Maturity Date	Average Cost \$	Fair Value \$	% of Portfolio
(920,000)	Sealed Air Corporation, 5.25%	April 1, 2023	(1,069,320)	(1,293,719)	
(470,000)	Sealed Air Corporation, 6.50%	December 1, 2020	(592,717)	(717,455)	
(2,000,000)	U.S. Treasury Notes, 2.250%	November 15, 2024	(2,326,635)	(2,665,824)	
(580,000)	XPO Logistics, Inc. 6.500%	June 15, 2022	(697,963)	(823,392)	
Total Bonds			(7,951,753)	(8,945,051)	(7.94)%
EQUITIES					
(39,000)	Fannie Mae Common		(93,833)	(204,187)	
Total Equities			(93,833)	(204,187)	(0.18)%
Total short positions			(8,045,586)	(9,149,238)	(8.13)%
Adjustment for transactions costs			(5,301)		
Total Investments			103,348,856	112,659,984	100.00%

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015
(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.

The investment objectives of the Fund 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 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, 2016 were authorized for issue by the Manager on March 27, 2017.

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 International Accounting Standards Board (IASB). 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 investments, forward contracts and unfunded bank commitments, and significant judgements include 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.

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.

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 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.

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.

NOTES TO FINANCIAL STATEMENTS continued

Other financial assets and liabilities

All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. Assets are classified as loans and receivables and liabilities are classified as other financial liabilities. Included in loans and receivables are receivable for investments sold, interest and other receivables and cash and cash equivalents. Included in other financial liabilities are accounts payable and accrued liabilities, redemptions payable, distributions payable, payable for investments purchased and interest payable. Financial assets and liabilities are shown at the amount required to be received or paid, discounted, when appropriate. The carrying value of financial assets and liabilities not measured at FVTPL approximates fair value due to their short term nature.

(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" and "net change in unrealized appreciation (depreciation) of investments" 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 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.

Where quoted prices are not available from independent security pricing services or broker quotes, the fair value is determined using appropriate and accepted industry valuation techniques, as described in Note 4.

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 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.

(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.

NOTES TO FINANCIAL STATEMENTS continued

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise of deposits in banks and prime brokerage accounts that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

Foreign currency translation

Portfolio securities and other 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.

Realized foreign currency gains and losses on investment transactions and unrealized foreign currency gains and losses on other net assets are included in the statements of comprehensive income in "Foreign currency gain (loss)". Unrealized foreign currency gains and losses on investments and derivatives are included in the statements of comprehensive income in "Net change in unrealized appreciation (depreciation) of investments" and "Net change in unrealized appreciation (depreciation) of derivatives", respectively.

Valuation of Fund Units

The value at which units are redeemed is the net asset value per unit. Net asset value per unit is calculated daily, on the annual redemption date and on such other dates as the Manager deems appropriate 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.

Profit (loss) Per Unit

Profit (loss) per unit are based on the profit (loss) and total comprehensive income (loss) 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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

3. FORWARD CONTRACTS

The Fund had entered into forward currency contracts to deliver currencies at a specific future date as follows:

As at December 31, 2016:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	(94,204,859)	CAD	127,106,000	0.7412	January 31, 2017	692,287
						692,287

As at December 31, 2015:

Sale	Amount \$	Purchase	Amount \$	Contract Price \$	Settlement date	Unrealized foreign exchange gain (loss) on contract \$
USD	(130,608,626)	CAD	171,997,193	0.7594	March 30, 2016	(8,695,961)
CAD	(3,274,241)	USD	2,450,000	0.7483	March 30, 2016	115,261
CAD	(5,250,000)	USD	3,802,942	0.7244	March 30, 2016	11,258
						(8,569,442)

The counterparty is rated BBB+ by S&P Global Ratings (December 31, 2015 – BBB+).

4. 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. These inputs may include, but are not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities or other market corroborated inputs.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

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

As at December 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities and warrants	11,935,420	799,114	581,543	13,316,077
Bonds	-	50,656,849	-	50,656,849
Bank debt	-	56,900,271	179,298	57,079,569
Credit default swaps	-	75,549	-	75,549
Forward contracts	-	692,287	-	692,287
Total	11,935,420	109,124,070	760,841	121,820,331

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Equities	204,187	-	-	204,187
Bonds sold short	-	8,945,051	-	8,945,051
Unfunded bank debt commitment	-	11,109	-	11,109
Total	204,187	8,956,160	-	9,160,347

As at December 31, 2015

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities and warrants	9,205,522	4,835,646	530,945	14,572,113
Bonds	-	66,414,794	-	66,414,794
Bank debt	-	69,847,267	1,307,687	71,154,954
Credit default swaps	-	120,026	-	120,026
Total	9,205,522	141,217,733	1,838,632	152,261,887

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
Equities	245,106	-	-	245,106
Bonds sold short	-	17,847,916	-	17,847,916
Credit default swaps	-	39,059	-	39,059
Forward contracts	-	8,569,442	-	8,569,442
Total	245,106	26,456,417	-	26,701,523

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of securities no longer being traded in an active market. For the years ended December 31, 2016 and 2015, there were no transfers of financial assets and liabilities from Level 1 to Level 2.

Financial assets and liabilities transferred from Level 2 to Level 1 are the result of securities now being traded in an active market. For the years ended December 31, 2016 and 2015, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

The Fund holds two illiquid positions which have been classified as Level 3. The following section discusses the significant unobservable inputs for Level 3 positions and quantitatively outlines the inputs used to calculate the fair value in accordance with IFRS 13, *Fair Value Measurement*.

For Level 3 investments where quoted prices are not available from brokers/counterparties or independent third-party pricing services, the Fund may use various valuation techniques, such as market approach, income approach, relative value using discounted cash flow, probability weighted recovery analysis, liquidation analysis, imputed value based on similar quoted investments, tender offer or a combination of these techniques. Inputs used may include original transaction price, market quotes of similar instruments, probability assessment of legal recovery, and discounts for liquidity and other risk factors. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available. The valuation techniques used in the valuation process were:

1. Probability weighted recovery analysis: The amount of legal claims, the priority of each claim, the amount of cash and other potential recoveries, the length of time until recovery, the probability of a favorable court determination and ultimate risk to recover.
2. Liquidation Analysis: The recovery amount assuming the underlying asset would be sold for its parts and scrapped in an environmentally conscious manner.

During the year ended December 31, 2016, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	Equities and Warrants	Bank Debt	Total
January 1, 2016	530,945	1,307,687	1,838,632
Purchases	-	-	-
Sales	-	-	-
Net transfers (out of) Level 3	-	-	-
Net transfers (in to) Level 3	-	-	-
Realized gains(losses)	-	-	-
Change in unrealized appreciation (depreciation)	50,598	(1,128,389)	(1,077,791)
December 31, 2016	581,543	179,298	760,841

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

During the year ended December 31, 2015, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	Equities and Warrants	Bank Debt	Total
January 1, 2015	-	-	-
Purchases	-	-	-
Sales	-	-	-
Net transfers (out of) Level 3	-	-	-
Net transfers (in to) Level 3	530,945	2,081,878	2,612,823
Realized gains(losses)	-	-	-
Change in unrealized appreciation (depreciation)	-	(774,191)	(774,191)
December 31, 2015	530,945	1,307,687	1,838,632

Transfers from Level 2 to Level 3 occur when an instrument's fair value, which was previously determined using valuation techniques with significant observable market inputs, is now determined using valuation techniques with significant non-observable inputs. In some cases, this could be a result of lack of current information in the market due to a decrease in liquidity. Due to the unobservable nature of the inputs used to value Level 3 financial instruments there may be uncertainty about the valuation of these instruments.

	Fair Value	Valuation Technique	Significant Unobservable Inputs	Value of Input used
OSX 2 Leasing BV, Term Loan	\$179,298	Liquidation Analysis	Liquidation value of the asset	\$4.24 USD per \$100 USD par value
Penson Technologies LLC, Class A	\$581,543	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	.105 USD

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for significant financial assets and financial liabilities held, as at December 31, 2016 that are classified in Level 3 of the fair value hierarchy.

	Valuation Technique	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Penson Technologies LLC, Class A	Probability Weighted Recovery Analysis	Outcome and timing of claims resolution and litigation recoveries	\$.08 USD	\$.128 USD	\$443,080	\$708,929

5. 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).

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

6. EXPENSES OF THE FUND AND RELATED PARTY TRANSACTIONS

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, 2016, the Fund incurred management fees of \$1,669,060 (2015 – \$2,423,248) of which \$137,594 was owing at December 31, 2016 (2015 – \$180,391).

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 Fund once a unitholder has achieved a preferred return of 8.0% (the "Preferred Return"). The Performance Fee is calculated and accrued monthly and is paid annually (except that when units are redeemed the accrued Performance Fee in respect of such units is paid at the time of such redemption). The amount of the Performance Fee shall be 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 then outstanding equal to 15% of the amount by which the sum of (i) the NAV 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 (the "Excess Return"); provided that no Performance Fee will be paid unless the Return exceeds 108% (the "Threshold Risk") of the Threshold Amount. If the Return exceeds 108% of the Threshold Amount, the Manager will be entitled to a Performance Fee equal to 15% of the Excess Return; provided that after the payment of the Performance Fee, in any fiscal year, the return to a unitholder will be at least equal to the Preferred Return. The Threshold Amount is the greater of: (i) the NAV per unit of the Fund on the Determination Date for the previous fiscal year (after payment of such Performance Fee); and (ii) the NAV 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) reduced by the amount of distributions paid in any subsequent year in which no Performance Fee has been earned. In respect of any units of the Fund which are redeemed the Threshold Rate and the Preferred Return will also be reduced proportionately to reflect the number of days remaining in the year from the date of such redemption to December 31.

During the year ended December 31, 2016, the Fund did not incur a Performance Fee (2015 – Nil).

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

7. 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.

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

	2016 #	2015 #
Redeemable units outstanding, beginning of year	23,851,108	26,355,791
Redemption of redeemable units	(5,975,052)	(2,504,683)
Redeemable units outstanding, end of year	17,876,056	23,851,108

Under a normal course issuer bid, which will expire on July 17, 2017, 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 can be repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). During the years ended December 31, 2016 and 2015, no units were purchased under this normal course issuer bid. 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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

8. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Fund is exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Fund’s overall risk management program seeks to minimize potentially adverse effects of these risks on the Fund’s financial performance by employing professional, experienced portfolio managers, by monitoring daily the Fund’s positions and market events and by diversifying the Investment Portfolio of the Fund 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.

Within the Fund’s Portfolio, the maximum exposure to any one debt issuer as of December 31, 2016 was \$7,475,916 representing 5.84% of the net assets of the Fund (2015 – \$9,984,005 or 6.11%).

Net exposure to debt securities by credit rating is as follows.

Credit Rating	As a % of Net Assets	
	December 31, 2016	December 31, 2015
A	–	1.00%
BBB	(1.75)%	(0.72)%
BB	(0.18)%	1.13%
B	34.98%	36.66%
CCC	25.15%	11.99%
CC	0.24%	0.70%
D	3.48%	5.18%
NR*	14.37%	17.41%

* Not rated by S&P Global Ratings.

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, unrealized loss on forward contracts, accounts payable and accrued liabilities, distributions payable, redemptions payable, payable for investments purchased and interest payable. These financial liabilities are all current and are expected to be settled within three months. The Fund has sufficient liquid assets to settle these financial liabilities.

Redeemable units are redeemable at the holder’s option subject to the conditions outlined in Note 7. 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.

OCP CREDIT STRATEGY FUND

NOTES TO FINANCIAL STATEMENTS continued

The Fund invests its assets in investments that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund, and also holds foreign currency denominated cash and other net assets. Consequently, the Fund is exposed to currency risk as the fair value of the investments and net assets denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For the years ended December 31, 2016 and 2015, the Fund does not have significant exposure to foreign exchange risk as substantially all of the Fund's foreign denominated investments and net assets 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, 2016, approximately 10.25% of the Fund's net assets are subject to other price risk (December 31, 2015 – 8.8%). Management's best estimate of the effect on total equity as at December 31, 2016, 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 \$656,000 (December 31, 2015 – \$716,000) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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, 2016 is shown in the Fund's schedule of investment portfolio.

9. CAPITAL MANAGEMENT

Units issued and outstanding represent the capital of the Fund. The Fund has no restrictions or specific capital requirements and is authorized to issue an unlimited number of redeemable units as specified in its most recent Annual Information Form, which is available on SEDAR. Restrictions and specific requirements on the redemption of units are described in Note 7. The statements of changes in equity and Note 7 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 8 while maintaining sufficient liquidity to meet distributions and redemptions.

10. 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.

The Fund had net capital tax loss carry forwards of \$9,397,160 as at December 31, 2016 (2015 – \$5,374,180).

11. PROFIT (LOSS) PER UNIT

Profit (loss) per unit for the years ended December 31, 2016 and 2015 is calculated as follows:

	2016	2015
Profit (loss) for the year	\$17,852,972	\$(20,897,383)
Weighted average units outstanding during the year	19,345,331	24,573,468
Profit (loss) per unit	\$0.92	\$(0.85)

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