

OCP CREDIT STRATEGY FUND

Annual Management Report of Fund Performance for the year ended
December 31, 2016

Fund:

OCP Credit Strategy Fund

Securities:

Listed TSX: OCS.UN

Period:

January 1, 2016 to December 31, 2016

Manager:

Onex Credit Partners, LLC

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Notes:

1. This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual Financial Statements of the Fund. You can get a copy of the Annual Financial Statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at www.sedar.com. Holders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at December 31, 2016.
4. None of the websites that are referred to in this Annual Management Report of Fund Performance, nor any of the information on any such websites, are incorporated by reference in this Annual Management Report of Fund Performance.

Investment Objectives and Strategies

The Fund invests in an actively managed, diversified portfolio (the "Portfolio") comprised primarily of senior debt obligations of non-investment grade North American issuers. Onex Credit Partners, LLC (the "Manager") is the manager of the Fund and also manages the Portfolio. The Fund seeks to achieve the following investment objectives: to maximize total returns for securityholders, to provide securityholders distributions currently targeted to be \$0.175 per quarter (\$0.70 per year to yield 7% per year based on the \$10.00 initial subscription price) and to preserve capital. The Manager seeks to generate attractive risk-adjusted returns through a long/short investment strategy focused on actively traded, event-driven, senior debt securities in the non-investment grade debt markets. In order to manage risk and volatility, the strategy is based on a diversified portfolio, with limited exposure to equity investments and no financial leverage.

Risks

There were no changes to the Fund over the period of this report that affected the overall level of risk associated with an investment in the Fund. Securityholders should refer to the Fund's annual information form ("AIF") for the year ended December 31, 2016 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The AIF is available free of charge from us (contact information above), on our website www.ocpcreditstrategy.com and on SEDAR www.sedar.com. Readers are also directed to Note 8 of the Fund's 2016 Annual Financial Statements, which discusses management of financial risks.

Results of Operations

For the year ended December 31, 2016, net assets per unit of the Fund was \$7.16 after payment of distributions to securityholders of \$0.70 per unit compared to \$6.85 on December 31, 2015. Total return for the Fund was 15.6% over the year.

The Fund's net assets were \$127.9 million as at December 31, 2016, a decrease from \$163.3 million as at December 31, 2015. Factors contributing to this decrease include: (i) redemptions of \$39.7 million; and (ii) distributions to securityholders of \$13.6 million. This was offset in part by net income and net gains on investments of \$17.9 million.

During the period, performance was driven primarily by a recovery in the credit markets broadly and prudent asset selection. The Manager continues to actively manage the Portfolio and deploy capital in situations where it perceives there to be an attractive risk/reward balance. The markets' negative performance and corresponding sell-off in high-yield bonds in 2015 created significant opportunities for the Fund in early 2016.

Globally, investors were searching for positive yield during a time of negative rates around the world, and this demand has helped support the markets broadly. Volatility in oil prices, the recent U.S. presidential election and Brexit created periods of volatility throughout the year, though the credit markets remained strong. The Manager continues to monitor global events and potential impacts closely.

The portfolio remains unlevered and predominantly long. At the end of 2015, the Fund was 78% net long, comprised primarily of high-yield bonds and leveraged loans at 30% and 43%, respectively. At the end of 2016, the Fund was 83% net long, comprised primarily of high-yield bonds and leveraged loans at 34% and 44%, respectively.

In 2016, the largest positive contributors were Momentive Performance Materials (Chemicals, +1.8%), Navistar (Trucking, +1.7%), Corporate Risk Holdings (i.e. Altagility) (Business Services, +1.2%), Gates Global (Automobiles, +1.0%) and HGIM (Energy Service, +1.0%). The numbers presented above are approximate contributions to the gross performance of the Fund.

The five worst performers and their contributions to performance were: OSX (Energy Services, -0.9%), Bluestem Group (formerly Capmark) (Finance, -0.6%), Team Tankers (Shipping-Chemicals, -0.5%), Delphi (Automobiles, -0.2%) and GM (Automobiles, -0.2%).

Following the broad-based market sell-off in 2015 and early 2016, the Manager deployed available cash into many high-yield senior secured and unsecured bonds which had traded down in price and which met the Manager's investment criteria.

Throughout 2016, the Manager exited many names held by the Fund in early 2015 and replaced them with new positions and in fact, many of the most significant positive contributors to performance were not among the top contributors in the prior year. The Fund's largest positions are often also the most meaningful contributors to performance and generally represent close to half of the Fund's net asset value, which is consistent with the Manager's management style of investing with conviction.

The Manager continues to invest in assets where they find an attractive risk/reward, where they can identify assets and catalysts to unlock value, and where downside risk is measureable and acceptable.

Recent Developments

Further volatility in oil prices, results of the recent U.S. presidential election, the evolving Brexit situation, world events in Syria and elsewhere in the Middle East and increasing tensions with Russia, could bring additional volatility to the credit markets.

Importantly, many of the year's most significant winners still have upside potential and we expect, in many cases, additional events will come to fruition and drive value. The Manager continues to find attractive opportunities to augment the portfolio and is monitoring global events and potential impacts closely. Often, credits that are being considered for investment are companies that the Manager has analyzed and/or invested in over a period of time. The Fund remains focused on individual credit selection and specific events or catalysts. Other macroeconomic considerations for investors at this time are changes to interest rates and U.S. gross domestic product growth.

As the broader market recovery continued, the Manager adjusted the holdings in the Portfolio accordingly to maintain acceptable levels of risk/reward. Based on the improvement in the non-investment grade debt markets to-date, the Manager is optimistic but remain cautious as it expects continued market volatility surrounding issues such as Brexit, economic growth prospects both in the U.S. and abroad and interest rates, as well as other potential unforeseen economic and market-specific factors.

In line with the increase to absolute returns, risk-adjusted returns (sharpe ratio) have nearly doubled since the end of last year.

Related Party Transactions

The Manager and the Fund are deemed to be related parties. Please refer to the section titled "Management Fees", which outlines the fees paid to the Manager. The Manager and the Fund were not party to any other related party transactions during the year ended December 31, 2016.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

THE FUND'S NET ASSETS PER UNIT ⁽¹⁾

	2016	2015	2014	2013	2012
Net Assets, beginning of period	\$6.85	\$8.40	\$9.03	\$8.84	\$8.60
Increase (decrease) from operations:					
Total revenue	0.41	0.42	0.02	0.00	0.00
Total expenses	(0.18)	(0.24)	(0.12)	(0.08)	(0.08)
Realized gains (losses) for the period	(0.45)	(0.48)	2.38	0.24	0.09
Unrealized gains (losses) for the period	1.14	(0.55)	(2.19)	0.72	0.93
Total increase (decrease) from operations ⁽²⁾	0.92	(0.85)	0.09	0.88	0.94
Distributions:					
From income (excluding dividends)	(0.17)	(0.10)	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00	0.00
From capital gains	0.00	0.00	(0.70)	0.00	0.00
Return of capital	(0.53)	(0.60)	0.00	(0.70)	(0.70)
Total Distributions ⁽³⁾	(0.70)	(0.70)	(0.70)	(0.70)	(0.70)
Net Assets, end of period ⁽⁴⁾	\$7.16	\$6.85	\$8.40	\$9.03	\$8.84

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The Fund adopted IFRS on January 1, 2014. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which requires that if an asset or 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. Accordingly, the opening net assets as at January 1, 2013 was restated to reflect the accounting policy adjustments made in accordance with IFRS. All figures presented for periods prior to January 1, 2013 remain in accordance with Canadian GAAP.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽³⁾ Distributions were paid in cash.

⁽⁴⁾ This is not a reconciliation of the beginning and ending net assets per unit.

RATIOS AND SUPPLEMENTAL DATA

	2016	2015	2014	2013	2012
Total net asset value (000s) ⁽¹⁾	\$127,911	\$163,337	\$221,346	\$253,939	\$264,517
Number of units outstanding ⁽¹⁾	17,876,056	23,851,108	26,355,791	28,131,739	29,909,815
Management expense ratio ⁽²⁾	2.59%	2.99%	3.21%	5.49%	3.74%
Management expense ratio before waivers or absorptions	2.59%	2.99%	3.21%	5.49%	3.74%
Trading expense ratio ⁽³⁾	0.01%	0.02%	0.24%	0.25%	0.25%
Portfolio turnover rate ⁽⁴⁾	55.50%	51.06%	3.35%	N/A	N/A
Net asset value per unit	\$7.16	\$6.85	\$8.40	\$9.03	\$8.84
Closing market price	\$7.06	\$6.62	\$8.36	\$8.92	\$8.90

Notes:

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

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Total expenses also include interest expense on short positions. The MER for the periods ended December 31, 2012, 2013, 2014, 2015 and 2016 excluding interest expense are 2.61%, 4.08%, 2.23%, 2.06% and 2.08%, respectively.

⁽³⁾ The trading expense ratio represents total commissions, forward agreement fees and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's portfolio turnover rate indicates how actively the Fund's investment adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

The 2014 portfolio turnover rate is calculated for the period post Forward Termination Date. For the period prior to the Forward Termination Date, the Fund's return was linked, by virtue of a Forward Agreement, to the performance of a portfolio comprised primarily of senior debt obligations of non-investment grade North American issuers, and consequently, the portfolio turnover rate did not apply to the Fund.

Management Fees

The Manager is responsible for providing or arranging for all investment advisory and portfolio management services required by the Fund including, without limitation, managing the Portfolio in a manner consistent with the investment objectives, guidelines and restrictions of the Fund and for arranging for the execution of all portfolio transactions. The Manager is also responsible for the operational and administrative functions of the Fund. As compensation for the management services rendered to the Fund, the Manager is entitled to receive an annual management fee from the Fund in an amount equal to 1.25% of the net asset value of the Fund, calculated daily and paid monthly in arrears.

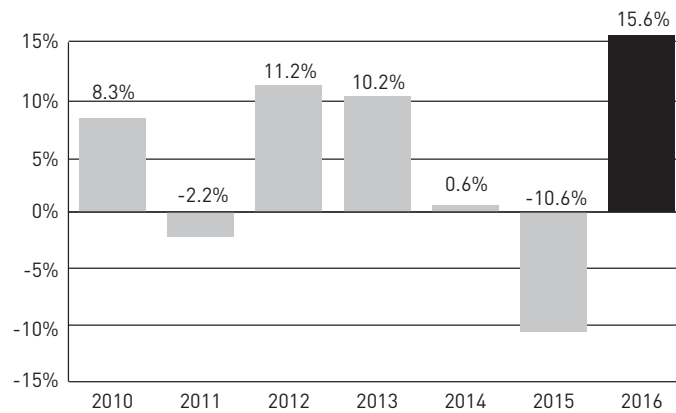
The Manager has retained FA Administration Services Inc. to provide certain administrative services to the Fund. The Manager pays FA Administration Services Inc. out of its management fee.

Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Also note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

YEAR-BY-YEAR RETURNS ⁽¹⁾

The following bar chart shows the Fund's annual performance for the periods shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



⁽¹⁾ Returns are based on net asset value per unit.

ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the periods ended December 31 as indicated. As a basis for comparison, we have provided the performance of the Credit Suisse High Yield Index ("Index A") which is designed to mirror the investable universe of the \$US-denominated high yield debt market and the Credit Suisse Leveraged Loan Index ("Index B") which is designed to mirror the investable universe of the \$US-denominated leveraged loan market. As the criteria for determining the constituents of the Portfolio and the indexes differ, it is not expected that the Fund's performance will mirror that of the indexes. Further, the return of the indexes is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	Fund	Index A	Index B
1 Year	15.6%	18.3%	9.9%
3 Year	1.3%	4.6%	3.8%
5 Year	5.0%	7.2%	5.3%
Since Inception	4.4%	8.4%	5.8%

Summary of Investment Portfolio

The following is a summary of the Fund's portfolio as at December 31, 2016. This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update is available on www.ocpcreditstrategy.com.

The percentages set forth in this summary may vary from the percentages set forth in the monthly updates prepared by the Fund. Chief among the reasons for the variance is that in the monthly updates cash is adjusted to reflect payment or receipt of proceeds from any unsettled trades and to exclude the proceeds of any short sales, and that the calculations use the notional amount of each credit default swap rather than its marked to market position.

TOP 25 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
Long Positions	
Cash ⁽¹⁾	19.27
Momentive Performance	5.84
Caesars Entertainment	5.80
Intelsat Jackson Holdings	5.40
Altegrity Inc.	5.11
Promotora De Informaciones S.A.	4.59
Nortel Networks Limited	4.16
CITGO Holdings Inc.	3.66
Peabody Energy Corporation	3.38
Team Tankers International Limited	2.96
HGIM Corporation	2.87
Navistar Inc.	2.54
YRC Worldwide Inc.	2.52
Allegheny Ludlum Corporation	2.40
Federal-Mogul Corporation	2.24
International Automotive Components Group	2.18
Gates Global LLC	2.08
Commercial Barge Line Company	2.04
Ceva Group PLC	2.00
Hornbeck	1.97
Sequa Corporation	1.90
Avaya Inc.	1.80
Alon USA Partners, LP	1.79
K Hovnanian Enterprises	1.77
Veritas US Inc.	1.74

Description	% of Net Asset Value
Short Positions	
US Treasury	(2.08)
Macy's Retail Holdings, Inc.	(1.75)
Sealed Air Corporation	(1.57)
XPO Logistics, Inc.	(0.64)
Ineos Group Holdings SA	(0.55)
Ball Corporation	(0.39)
Fannie Mae	(0.16)
Total Net Asset Value	\$127,910,728

SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Long Positions	
Cash ⁽¹⁾	19.27
Energy	10.65
Telecom	9.57
Chemicals	7.28
Automobiles	7.24
Energy Service	7.24
Gaming/Leisure	5.80
Business Services	5.57
Media	5.41
Trucking	5.06
Finance	4.63
Technology	3.81
Metals/Minerals	3.17
Shipping – Chemical Tankers	2.96
Other	2.41
Housing/Building Products	2.28
Shipping – Jones Act	2.04
Transportation/Logistics	2.00
Aerospace	1.90
Independent Power Producers	1.46
Packaging	1.28
Manufacturing	0.88
Healthcare	0.61
Transportation	0.50
Food	0.32
Environmental Services	0.25
Shipping – Tankers	0.23
Pharmaceuticals	0.13
Retail	0.06

Industry	% of Net Asset Value
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Short Positions

Other	(2.08)
Retail	(1.75)
Forest Products/Containers	(1.57)
Transportation/Logistics	(0.64)
Chemicals	(0.55)
Packaging	(0.39)
Finance	(0.16)

Portfolio Composition	% of Net Asset Value
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Long Positions

Bank Debt	44.62
Bonds	39.60
Cash ⁽¹⁾	19.27
Equities	10.40
Credit Default Swaps	0.06
Warrants	0.02

Portfolio composition	% of Net Asset Value
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Short Positions

Bonds	(6.99)
Equities	(0.16)

⁽¹⁾ Cash, net of amounts receivable for investments sold and payable for investments purchased, short proceeds received and other miscellaneous items is 4.45%.

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