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# **OCP Credit Strategy Fund**

Annual Management Report of Fund Performance  
For the period from November 20, 2009, to December 31, 2009

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**Fund:** OCP Credit Strategy Fund

**Securities:** Listed TSX: OCS.UN

**Period:** November 20, 2009 to December 31, 2009

**Manager:** Onex Credit Partners, LLC  
910 Sylvan Avenue  
Englewood Cliffs, New Jersey  
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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](http://www.sedar.com). Securityholders 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, 2009.
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 Strategy**

The Fund provides exposure, by virtue of a forward agreement, to the performance of an actively managed, diversified portfolio (the “**Portfolio**”) held in OCP Investment Trust 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, through exposure to the Portfolio, will seek to achieve the following investment objectives: to maximize total returns for securityholders, to provide securityholders tax-advantaged distributions initially targeted to be \$0.175 per quarter (\$0.70 per year to yield 7% per year based on the \$10.00 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 prospectus dated October 27, 2009 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The Prospectus is available free of charge from us (contact information above), on our website [www.ocpcreditstrategy.com](http://www.ocpcreditstrategy.com) and on SEDAR [www.sedar.com](http://www.sedar.com). Readers are also directed to Note 4 of the Fund’s 2009 Annual Financial Statements which discusses management of financial risks.

## **Results of Operations**

On November 20, 2009, the Fund completed an initial public offering of 20,000,000 units at \$10 per unit. On December 3, 2009, an over-allotment option granted to agents was exercised for 780,000 units at \$10 per unit. The total gross proceeds raised were \$207.8 million.

For the period ended December 31, 2009, the net assets of the Fund totaled \$197.5 million, or \$9.50 per unit compared to its opening net asset value per unit of \$9.44 on November 20, 2009. The Fund returned 0.6% over the period. The largest factor contributing to the decrease between gross proceeds raised and total net assets as at December 31, 2009 of \$197.5 million were agents’ fees and expenses of the issue of \$11.7 million which was partially offset by the unrealized gain on the Forward Agreement.

December was the Fund’s first full month of investing and as at December 31, 2009, the Fund was approximately 40% invested. The Fund’s positive performance over the period was driven by gains in a number of positions in the portfolio, most notably CIT Group Inc. (5.49% of net asset value\*), Visteon Corp. (2.20% of net asset value\*) and Ford Motor Company (2.18% of net asset value\*). CIT performed well as the company successfully emerged from its pre-arranged bankruptcy in December. In connection with the reorganization, CIT creditors received 70% of their claim in new notes and 30% in equity. Each of these new securities has increased in value as more traditional institutional buyers have shown interest in them now that the company has restructured its balance sheet. The Visteon Senior Secured Term Loan and Senior Bond position

performed well as the company made progress on its plan of reorganization. The Ford Senior Secured Term Loan traded higher as the company made further progress on improving its operations and investor confidence continued to grow regarding the stabilization of the auto sector.

\*Calculated on net asset value of OCP Investment Trust.

### **Recent Developments**

Developments relating to the Fund which were announced or which occurred during the period include:

**December 23, 2009:** The Fund announced the acceptance by the TSX of its Notice of Intention to make a Normal Course Issuer Bid. The bid period commenced on December 23, 2009 and will terminate on December 22, 2010.

### **International Financial Reporting Standards**

The Canadian Accounting Standards Board has confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for all Canadian publicly accountable entities (including investment funds) for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Fund will adopt IFRS as the basis for preparing its financial statements. The Fund will issue its financial results for the semi-annual period ended June 30, 2011 prepared in accordance with IFRS and will also provide comparative data on an IFRS basis, including an opening statement of net assets as at January 1, 2010.

In order to meet the requirement to changeover to IFRS, the Fund is following an orderly transition plan. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences, most notably is the requirement to consolidate the financial results of the Fund with OCP Investment Trust. The Manager is reviewing closely the developments of the consolidation exposure draft and is expecting that a final standard will be released in the third quarter of 2010. Apart from this, the main impact of IFRS on accounting policies and implementation decisions is expected to relate to presentation and additional disclosures in the financial statements of the Fund.

### **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 period ended December 31, 2009.

## **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 since inception.

### **The Fund's Net Assets per Unit <sup>(1)</sup>**

	2009 <sup>(2)</sup>
<b>Net assets, beginning of period <sup>(3)</sup></b>	<b>\$9.44</b>
<b>Increase (decrease) from operations</b>	
Total revenue	0.00
Total expenses	(0.01)
Realized gains (losses) for the period	0.00
Unrealized gains (losses) for the period	0.08
<b>Total increase (decrease) from operations<sup>(4)</sup></b>	<b>0.07</b>
<b>Distributions:</b>	
From income (excluding dividends)	0.00
From dividends	0.00
From capital gains	0.00
Return of capital	0.00
<b>Total distributions</b>	<b>0.00</b>
<b>Net assets at December 31 <sup>(5)</sup></b>	<b>\$9.50</b>

Notes:

(1) This information is derived from the Fund's audited annual financial statements.

(2) Results for the period from November 20, 2009 (inception date) to December 31, 2009.

(3) The Net assets per unit reflects the issue price of \$10.00 less share issue expenses.

(4) 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.

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

### **Ratios and Supplemental Data**

	2009
Total net asset value (000's) <sup>(1)</sup>	\$197,489
Number of units outstanding <sup>(1)</sup>	20,780,000
Management expense ratio <sup>(2)</sup>	8.32%
Management expense ratio before waivers or absorptions	8.32%
Trading expense ratio <sup>(3)</sup>	N/A
Portfolio turnover rate <sup>(3)</sup>	N/A
Net asset value per unit	\$9.50
Closing market price	\$10.00

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, except as stated in the following sentence, is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period ended December 31, 2009, includes agents' fees and other offering expenses, which are one-time expenses and therefore are not annualized. The MER for the period ended December 31, 2009, excluding agents' fees and offering expenses is 2.30%.

<sup>(3)</sup> The Fund's return is 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 and trading expense ratio do not apply to the Fund.

### **Management Fees**

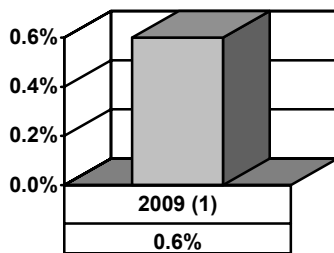
The Manager is responsible for providing or arranging for all investment advisory and portfolio management services required by the Fund including, without limitation, managing the Portfolio in a manner consistent with the investment objectives, guidelines and restrictions of the Fund and for arranging 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 0.3125% of the net asset value of the Fund, which is calculated weekly and paid monthly in arrears.

## **Past Performance**

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the period 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**

The following bar chart shows the Fund's annual performance for the period shown. 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 for the period from November 20, 2009 to December 31, 2009.

### **Annual Compound Returns**

As the Fund was not a reporting issuer throughout the entire period, we have not provided a compound annual return or a comparative index.

## Summary of Investment Portfolio

The Fund has entered into forward agreement whereby the Fund obtains exposure to the performance of the Portfolio. Accordingly, these financial statements should be read in conjunction with the financial statements of OCP Investment Trust. The Annual Management Report of Fund Performance and Annual Financial Statements for OCP Investment Trust are available to securityholders and can be attained by visiting our website at [www.ocpcreditstrategy.com](http://www.ocpcreditstrategy.com) or by writing to Onex Credit Partners, LLC, 910 Sylvan Avenue, Englewood Cliffs, New Jersey, U.S.A 07632.

The following is a summary of OCP Investment Trust's portfolio as at December 31, 2009. 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](http://www.ocpcreditstrategy.com).

### Top 25 Holdings as at December 31, 2009

DESCRIPTION	% of Net Asset Value of OCP Investment Trust
<u>Long Positions</u>	
Cash <sup>(1)</sup>	87.90
CIT Group Inc. (Debt)	4.95
Lyondell Chemical Company	3.16
Harrah's	2.73
Visteon Corporation	2.20
Ford Motor Company	2.18
Abitibi-Consolidated of Canada	2.18
Chrysler Financial Services	2.05
K Hovnanian Enterprises	1.53
American General Financial Corporation	1.50
Las Vegas Sands	1.40
W. R. Grace	1.36
Las Vegas Sands/Venetian Macau	1.27
Level 3 Financing Inc.	1.21
Washington Mutual Bank	1.21
Realogy Corporation	1.07
Chemtura Corporation	1.05
General Growth Properties	1.02
GMAC Inc.	0.91
Federal Mogul Corporation	0.90
Witco Corporation	0.83
Tribune Company	0.77
CIT Group Inc. (Equity)	0.54
CCS Inc.	0.53
Lehman Brothers Holdings	0.44
<b>Total Net Asset Value of OCP Investment Trust</b>	<b>\$195,830,473</b>

<sup>(1)</sup> Cash, net of amounts receivable for investments sold and payable for investments purchased, as a percentage of net asset value is 63.06%.