

# OCP CREDIT STRATEGY FUND

Monthly Update as at September 30, 2012



## Investment Rationale and Objectives

OCP Credit Strategy Fund provides Unitholders with exposure to the performance of an actively managed, diversified portfolio comprised primarily of senior debt obligations of non-investment grade North American issuers.

The Fund's objectives are: (i) to maximize total returns for Unitholders, on a tax-advantaged basis; (ii) to provide Unitholders with attractive, quarterly, tax-advantaged distributions, currently 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.

## Details

Date of Inception:	November 20, 2009
Issue Price:	\$10.00
Opening NAV (November 20, 2009):	\$9.44
Ticker Symbol:	OCS.UN (TSX)
Total Net Assets:	\$ 264,906,678 *
NAV per Unit:	\$8.82 *
Market Price:	\$8.87 *
Latest Distribution: September 28, 2012	\$0.1750
Distribution Frequency:	Quarterly
Cash Distributions Since Inception:	\$2.0036

\*As at September 28, 2012

## Commentary

Net performance of OCP Credit Strategy Fund was 0.67% and 8.68% in September and year-to-date, respectively. During the month, the world's two largest central banks, the U.S. Federal Reserve and European Central Bank (ECB), announced aggressive asset purchase programs, reducing investors' concerns over the persistent global economic risks. Global markets responded positively: the CS Leveraged Loan Index, CS High Yield Bond Index, and S&P500 returned 1.08%, 1.25%, and 2.58% in the month, respectively.

The Portfolio's top five positions accounted for approximately 40% of positive performance in September and included the secured bonds of Jefferson County. In August, we began purchasing the municipal bonds of a bankrupt U.S. county (Jefferson County) that are secured by its sewer system revenue. We believe that the county, creditors and other constituents will work towards a consensual agreement ultimately unlocking value for bondholders. Although the timing of any resolution is difficult to predict, our expectation is a negotiated settlement which will encompass debt extinguishment and sewer rate increases, as well as favorable resolution of litigation against certain large claim holders. We also established a short position in a U.S. coal producer in the first quarter of 2012 at prices at or near par. Consistent with our view, slowing demand for steel has reduced domestic and international demand for coking coal. This slowing demand has weakened the company's cash flow which contributed to its falling bond price in the month making the position a meaningful contributor to the Portfolio's performance in September.

Similar to last month, losses in the Portfolio were modest and consisted primarily of short positions, including a high yield bond CDX, S&P500 put and Spanish government bond. Given the ECB's announcements, we reduced the Portfolio's European sovereign bond short exposures. Separately, we added to several existing positions and established new ones including two homebuilders.

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## Five Strongest and Weakest Performers

### Strongest

K Hovnanian Senior Bonds
Lehman Brother Senior Notes, Claims
Capmark Financial Restructured Equity
GM Bonds, Warrants
Jefferson County Secured Municipal Bond

### Weakest

High Yield Bond CDX
Avon CDS
S&P500 Puts
Spanish Government Bond (short)
Best Buy CDS

The chart shows the top five strongest and weakest holdings contributing to the Fund's performance for the month. These holdings do not represent all of the assets held, purchased or sold during the month.

## Industry Exposure\*\*

	Long	Short	Net
Finance	12.10%	0.00%	12.10%
Independent Power Producers	10.26%	0.00%	10.26%
Transportation	10.80%	-1.12%	9.68%
Housing/Building Products	9.23%	-0.88%	8.34%
Energy	9.00%	-1.75%	7.25%
Gaming/Leisure	6.10%	0.00%	6.10%
Aerospace	5.84%	0.00%	5.84%
Media	3.73%	0.00%	3.73%
Energy Service	2.60%	0.00%	2.60%
Telecom	1.82%	0.00%	1.82%
Technology	1.79%	0.00%	1.79%
Business Services	2.74%	-1.13%	1.60%
Forest Prod/Containers	1.31%	0.00%	1.31%
Chemicals	0.66%	-0.03%	0.64%
Real Estate	0.12%	0.00%	0.12%
Healthcare	0.00%	0.00%	0.00%
Metals/Minerals	0.00%	0.00%	0.00%
Retail	1.46%	-2.03%	-0.57%
Manufacturing	0.00%	-0.58%	-0.58%
Consumer Non-Durable	0.00%	-1.68%	-1.68%
Food	0.85%	-3.37%	-2.52%
Index	0.00%	-5.24%	-5.24%
Other	12.49%	-2.93%	9.57%
<b>Adjusted Exposure**</b>	<b>92.90%</b>	<b>-20.73%</b>	<b>72.16%</b>

\*\* Shorts include the notional value of the credit default swaps, if any.

## Portfolio Composition\*\*\*

	Long	Short	Net
Bank Debt	49.76%	0.00%	49.76%
Corporate Bonds	31.29%	-5.79%	25.50%
Government Bonds	0.00%	-2.93%	-2.93%
Equity	5.60%	-0.45%	5.15%
Other	5.71%	0.00%	5.71%
Puts	0.00%	-0.04%	-0.04%
Call Options	0.00%	0.00%	0.00%
Warrants	0.54%	0.00%	0.54%
Notional value of CDS	0.00%	-11.53%	-11.53%
Notional value of Puts	0.00%	0.00%	0.00%
<b>Adjusted Exposure**</b>	<b>92.90%</b>	<b>-20.73%</b>	<b>72.16%</b>
Cash****	7.10%	0.00%	7.10%
<b>Total Exposure</b>	<b>100.00%</b>	<b>-20.73%</b>	<b>79.27%</b>

\*\*\* The Portfolio refers to the positions held by underlying fund, OCP Investment Trust.

\*\*\*\* Cash is adjusted to reflect payment or receipt of proceeds from any unsettled trades and to exclude the proceeds of any short sales.

All amounts in Canadian dollars unless otherwise stated. Certain statements constitute forward-looking statements, including, but not limited to, those identified by the expressions "expect", "intend", "will" and similar expressions to the extent they relate to the Fund. The forward-looking statements are not historical facts but reflect Onex Credit Partners, LLC's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. Although Onex Credit Partners, LLC believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, readers are cautioned not to place undue reliance on such statements due to the inherent uncertainty therein. Onex Credit Partners, LLC undertakes no obligation to update publicly or otherwise revise any forward-looking statement or information whether as a result of new information, future events or other such factors which affect this information, except as required by law. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the Fund. Please read the Fund's continuous disclosure documents (found on SEDAR) before investing. The Fund is not guaranteed, its value changes frequently and past performance may not be repeated.

The Portfolio refers to the positions held by the underlying fund, OCP Investment Trust. Through a forward agreement, the return of the Fund is dependent on the return of the Portfolio. Performance figures for the Fund are based on Canadian generally accepted accounting principles and were based on audited financial statements through December 31, 2011 and unaudited monthly estimates thereafter. Performance figures for the Fund include distributions paid during the relevant period and are calculated net of expenses and fees. Returns for the Fund may diverge from the returns for the Portfolio for several reasons including the incurrence of expenses and payment of distributions by the Fund.