



**ANNUAL INFORMATION FORM**

**For the year ended March 31, 2015**

**June 30, 2015**

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## THE INVESTMENT FUND

### Name and Formation

Kensington Private Equity Fund (the “Investment Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust, dated September 17, 2014 (the “Declaration of Trust”). The Investment Fund is the successor to Kensington Global Private Equity Fund (the “Global Fund”), which was established and went public in April 2007 by prospectus and became a reporting issuer subject to the ongoing reporting and other requirements of applicable securities laws. The Manager later determined that it was in the best interests of the Global Fund to continue the fund as a new fund on a private basis. Approval by unitholders of the transaction implementing that change was obtained in September 2014. Pursuant to the transaction, substantially all of the net assets of the Global Fund were transferred to the Investment Fund and the unitholders of the Global Fund became unitholders of the Investment Fund.

The Investment Fund’s principal place of business and registered office is located at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6.

### Status of the Investment Fund

The Investment Fund is not a “mutual fund” for securities law purposes and is not a reporting issuer. As a result, some of the protections provided to investors in mutual funds under such laws are not be available to investors in the Units (as defined below) and some of the restrictions imposed on mutual funds under Canadian securities laws do not apply to the Investment Fund.

## DESCRIPTION OF THE BUSINESS

### Issue of Units

The Global Fund completed an initial public offering of class A units on April 20, 2007, and first issued class F units on February 1, 2008. On April 9, 2013, the Global Fund first issued class E units and class G units. On September 17, 2014, all of the class A units, class E units, class F units and class G units of the Global Fund were redeemed for class A units (“Class A Units”), class E units (“Class E Units”), class F units (“Class F Units”) and class G units (“Class G Units”) of the Investment Fund following the transfer of the portfolio assets of the Global Fund to the Investment Fund.

The Class A, Class E, Class F and Class G Units are collectively and interchangeably referred to herein as the “Units”. Holders of Units are collectively referred to herein as the “Unitholders”. Each of the classes of Units is convertible into each of the other classes of Units. As at March 31, 2015 the Investment Fund had 446,255 Class A Units, 51,321 Class F Units, 1,112,100 Class E Units and 2,006,813 Class G units outstanding.

### Investment Objective and Strategy

The Investment Fund was created to provide exposure to a diversified portfolio of international private equity investments, including private equity funds and direct investments in private companies. Private equity fund investments are typically not accessible to individual and smaller institutional investors because of high minimum

investment thresholds, often in excess of \$5 million. The Manager believes that investing in private equity will continue to offer the potential for attractive long-term total returns which have historically outperformed public equity markets and also provides risk reduction through diversification for traditional investment portfolios.

The Investment Fund's investment objective is to maximize long-term total returns for Unitholders through distributions of net income and net realized capital gains from private equity investments ("Underlying Investments") identified by Kensington Capital Advisors Inc. ("the Manager") which will include private equity funds and funds of funds ("Underlying Funds") and direct investments in private companies.

In order to achieve the investment objective, the Investment Fund invests in selected private equity funds and directly in private equity opportunities managed by experienced private equity fund managers that have strong track records and whose own financial interests are closely aligned with those of their investors. The Investment Fund seeks to diversify by developing an international portfolio of private equity fund investments including private equity funds focused on a variety of target investment classes and at various stages of their business life cycle.

### **Investment Restrictions**

The investment activities of the Investment Fund are conducted in accordance with its investment objective and strategy. In addition, the Investment Fund is subject to certain investment restrictions which, among other things, limit the securities and investments the Investment Fund may acquire to comprise, or hold in, its portfolio. The Investment Fund's investment restrictions may not be changed without the approval of the Unitholders by a two-thirds majority vote at a duly called Unitholder meeting ("Extraordinary Resolution") called for such purpose.

The Investment Fund is subject to the following investment restrictions pursuant to which the Investment Fund will not:

- (a) undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Investment Fund failing to qualify as a "unit trust" for purposes of the *Income Tax Act* (Canada) (the "Tax Act"). Among other requirements, in order for the Investment Fund to so qualify:
  - (i) at all times at least 80% of the property of the Investment Fund must consist of a combination of: shares; property that under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; cash; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;

- (ii) not less than 95% of the Investment Fund's income for each year must be derived from, or from the disposition of, investments described in (i) above; and
  - (iii) at no time may more than 10% of the Investment Fund's property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in Right of Canada or a province or a Canadian municipality;
- (b) invest in securities of an issuer that is a foreign affiliate of the Investment Fund;
  - (c) make any investments which are not Underlying Investments or Liquid Investments ("Liquid Investments" is defined as financial products such as cash and cash equivalents, government securities, money market instruments and investment grade securities (other than asset backed commercial paper), as well as listed securities of private equity funds and other securities consistent with the overall objectives of liquidity, capital preservation and an appropriate return); or
  - (d) purchase or sell derivative instruments, except as set out under "Use of Derivative Instruments" below.

#### **Use of Derivative Instruments**

The Investment Fund may engage in currency hedging to mitigate the risk of exchange rate fluctuations where the Investment Fund has purchased or invested or committed to purchase or invest in an Underlying Investment denominated in a foreign currency, to the extent that such activities are not inconsistent with any of the foregoing investment restrictions. The Investment Fund may also enter into derivative contracts intended to provide exposure to specified private equity investments (which contracts will be classified as Underlying Investments) or other permitted Liquid Investments, consistent with the investment restrictions, overall objective and strategy of the Investment Fund, in cases where an investment directly in such private equity investments or Liquid Investments is not practical.

#### **Foreign Exchange**

Foreign exchange gains or losses arise in the Investment Fund from investments made outside of Canada, including Liquid Investments. When the Investment Fund makes commitments to Underlying Investments in private equity which are denominated in currencies other than Canadian Dollars, the Investment Fund may acquire Liquid Investments in those same currencies to ensure its ability to fully fund those commitments over time. The Investment Fund has previously invested in Liquid Investments denominated in U.S. Dollars and in Euros, leading to foreign exchange losses from the rising Canadian Dollar. The Manager expects that changes in the currency markets will continue, and takes a prudent approach to foreign exchange risk in an attempt to match capital with anticipated obligations. The Investment Fund does not make any speculative currency investments in the foreign exchange market.

## **Borrowing**

The Investment Fund may borrow an amount up to 25% of its total assets in order to provide the liquidity required to take advantage of investment opportunities on a timely basis, to fund redemptions or repurchases of Units and for general operating purposes. The primary purpose of such borrowing is to optimize the investment efficiency of the Investment Fund and permit the Investment Fund to be as fully invested in Underlying Investments as possible, while retaining the flexibility to take advantage of investment opportunities that arise from time to time. The purpose of these borrowings is not to apply leverage to specific investments for equity return enhancement. The cost of any such borrowing will be borne by the Investment Fund and the assets of the Investment Fund may serve as collateral for such borrowing.

## **Eligibility for Investment**

Provided that the Investment Fund qualifies as a mutual fund trust within the meaning of the Tax Act at all relevant times, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability saving plans, registered education savings plans and tax-free savings accounts (“Registered Plans”). During 2014, the Investment fund did not deviate from the rules under the Tax Act that apply to the status of the Units qualifying for inclusion in the Registered Plans.

Notwithstanding the foregoing, if Units are “prohibited investments” for the purpose of a tax-free savings account (a “TFSA”) (or if the Units are “prohibited investments” for the purposes of a registered retirement savings plan or registered retirement income fund), a holder of a TFSA (or an annuitant of a registered retirement savings plan or registered retirement income fund) that governs a trust will be subject to penalty taxes as set out in the Tax Act. An investment in the Units will not generally be a “prohibited investment” unless the holder (or annuitant) does not deal at arm’s length with the Investment Fund or has a significant interest (within the meaning of Tax Act) in the Investment Fund. Unitholders should consult their own tax advisors to ensure that the Units would not be a prohibited investment in their particular circumstances.

## **MANAGEMENT OF THE INVESTMENT FUND**

### **The Manager and Trustee**

Kensington Capital Advisors Inc. is the manager (the “Manager”) of the Investment Fund. The Manager’s principal place of business and registered office is located at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6. The Manager can be reached by at (416) 362-9000, or toll-free at (855) 362 9329 by e-mail to [info@kcpl.ca](mailto:info@kcpl.ca) or at its website [www.kcpl.ca](http://www.kcpl.ca).

The Manager also serves as trustee (the “Trustee”) and administrator of the Investment Fund pursuant to the Declaration of Trust and as such is responsible for the basic administrative services of the Investment Fund. See “Declaration of Trust”.

As Manager, Kensington Capital Advisors Inc. provides investment advice and portfolio management services to the Investment Fund in accordance with the Investment Fund’s

investment policies and procedures, and is ultimately responsible for making all investment decisions on behalf of the Investment Fund. The Manager has responsibility for managing the investments of the Investment Fund in accordance with the Investment Fund's cash management policy. Kensington Capital Advisors Inc. is a corporation governed by the laws of the Province of Ontario and is registered with the Ontario Securities Commission as an investment fund manager, portfolio manager and as an exempt market dealer.

### ***The Management Agreement***

Pursuant to the Management Agreement dated as of September 17, 2014 between the Manager and the Investment Fund (the "Management Agreement"), the Manager provides or arranges for a wide range of administrative services and other business services to the Investment Fund. The services provided by the Manager include researching, sourcing and conducting appropriate due diligence investigations on investment opportunities, ensuring compliance with the Investment Fund's investment objective, strategy, policies and procedures, and making decisions regarding investments in, and dispositions of, Underlying Investments.

The Manager is entitled to receive fees as compensation for management services rendered to the Investment Fund. See "Fees and Other Expenses - Management Fee".

The Manager is required to exercise its powers and discharge its duties under the Management Agreement honestly and in good faith, and in the best interests of the Investment Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The Management Agreement provides that the Manager may be removed for cause, with the approval of Unitholders by an Extraordinary Resolution at a duly constituted meeting of the Unitholders. "Cause" is defined in the Management Agreement to mean that the Manager has acted in a manner that constitutes gross negligence or wilful misconduct in the execution of its duties under the Management Agreement or is convicted of fraud, embezzlement or a similar indictable criminal offence (in each case as finally determined by a court of competent jurisdiction following the exercise of all rights of appeal), or the Manager suffers a bankruptcy or insolvency event as specified in the Management Agreement.

Unless terminated in accordance with its terms, the Management Agreement will continue until the termination of the Investment Fund. In the event of a breach or default of any material provision of the Management Agreement, which is not cured within 60 days of written notice of such breach to the Investment Fund, the Manager may terminate the Management Agreement. In the event of such termination, no payments need be made by the Investment Fund to the Manager, except for the amounts owing as of the date of termination, including prorated management fees and performance fees in respect of the part quarter and part year ending on the date of removal of the Manager or date of termination of the Management Agreement, as applicable.

## ***Directors and Officers of the Manager***

The name and municipality of residence of each of the directors and senior officers of the Manager are set out below. Their principal occupations are their respective positions with the Manager:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with Manager</u></b>
Thomas Kennedy (Toronto, Ontario) <sup>(1)</sup>	Chairman, Director and Managing Director
Richard (Rick) Nathan (Toronto, Ontario) <sup>(2)</sup>	Director and Managing Director
Eamonn McConnell (Toronto, Ontario) <sup>(3)</sup>	Director and Managing Director
John Walker (Oakville, Ontario) <sup>(4)</sup>	Director and Managing Director
Suganya Tharmalingam (Toronto, Ontario) <sup>(5)</sup>	Director, Managing Director and Chief Financial Officer
Jeffrey Pike (Toronto, Ontario) <sup>(6)</sup>	Senior Vice-President
Peter Fink (Toronto, Ontario) <sup>(7)</sup>	Senior Vice-President
Michelle Scarborough (Calgary, Alberta) <sup>(8)</sup>	Senior Vice-President

As of March 31, 2015 the directors and senior officers of the Manager had the following holdings in the Investment Fund and the Manager:

- <sup>(1)</sup> Thomas Kennedy held approximately 0.6% of the Units of the Investment Fund and 41.2% of the shares of the Manager.
- <sup>(2)</sup> Richard Nathan held approximately 30.0% of the shares of the Manager.
- <sup>(3)</sup> Eamonn McConnell held approximately 11.8% of the shares of the Manager.
- <sup>(4)</sup> John Walker held approximately 4.6% of the shares of the Manager.
- <sup>(5)</sup> Suganya Tharmalingam held approximately 1.8% of the shares of the Manager.
- <sup>(6)</sup> Jeffrey Pike held approximately 0.2% of the Units of the Investment Fund and 3.2% of the shares of the Manager.
- <sup>(7)</sup> Peter Fink held approximately 2.1% of the shares of the Manager.
- <sup>(8)</sup> Michelle Scarborough held approximately no shares of the Manager.

The following is a brief description of the background of the directors and senior officers of the Manager.

**Thomas Kennedy:** Mr. Kennedy is the founder of Kensington Capital Partners and Chair of the Investment Committee. Tom serves on the Advisory Board of several private equity funds and on the Board of Directors of Crestline Coach Ltd., LW Cosmetics Holdings Inc., Genalta Power Inc., CGL Manufacturing Inc. and PFF Capital Group Inc. He also serves as a board member of CVCA - Canada's Private Equity and Venture Capital Association. Tom's previous experience includes 10 years in operational and management positions with Consolidation Coal Co. and Alberta Energy Company. He has investment banking experience as a senior executive with Bunting Warburg, Lancaster and TD Securities. Tom was Chairman of the Regent Park School of Music, and was a Director of the Toronto Central LHIN. He has served on the board of directors of Loft Community Services, Triax Growth Fund, as well as several public companies. Tom holds a B.Sc.Eng. (Mining) from Queen's University and a D.B.A. from the University of Edinburgh, Scotland and is a professional engineer.

**Richard Nathan:** Rick is a Kensington Managing Director and a member of the Investment Committee and Advisory Board. He was the President and Chair of CVCA - Canada's Venture Capital and Private Equity Association from 2005 to 2012 and is the Co-Chair of the Canadian

Innovation Exchange (CIX). Rick serves as a Board member or observer of D-Wave Systems Inc., Blue Ant Media Inc. and TouchBistro Inc., and is on the Advisory Board of the Novacap, Georgian, Vanedge and Walden funds. He is also a member of the Small and Medium Enterprise Committee (SMEC) established by the Ontario Securities Commission. Rick was previously a founding partner of Brightspark Ventures, a Toronto venture capital fund focused on incubating early stage technology companies, and the Managing Director of Goodmans Venture Group, a strategic advisory and investment division of Goodmans LLP. Rick also spent more than 10 years as a corporate and securities lawyer at Osler, Hoskin & Harcourt LLP, including as leader of the firm's Technology Business Group. Rick holds a B.A. (Computer Science) from Dartmouth College and an LL.B. from the University of Toronto, Faculty of Law.

**Eamonn McConnell:** Eamonn is a Kensington Managing Director and a member of the Kensington Investment Committee and is the Manager's advising representative. Eamonn is also an equity partner of Gryphus Capital, a private equity firm he co-founded in 2002 based in Singapore. He served as the Deputy Chairman of the Alternative Investment Management Association (AIMA) Canada from 2008 to 2013. For over 25 years, Eamonn has been involved in the investment banking and the fund management business in Canada, the U.K. and Asia working for many large international institutions including Barclays Global Investors, Deutsche Bank and Merrill Lynch. Eamonn's areas of activity have ranged from capital markets work in both debt and equity products, the establishment of a mutual fund investment management company and the subsequent launch of several funds, to the establishment of a private equity investment management company. Eamonn holds a B.A. (International Finance) from the American University in Paris, France; a Masters of Business Administration from McGill University, and a Diplome, from Ecoles des Hautes Etudes Commerciales, France, International Management Program. He also holds the Chartered Alternative Investment Analyst Association (CAIA) designation.

**John H. Walker:** Mr. Walker is a Kensington Managing Director and a member of the Investment Committee. He is responsible for Kensington's infrastructure business, with a seat on the Board of Directors of the Kensington Crowsnest Alberta L.P. and Genalta Power Inc. John is also Chairman of U.S. Geothermal Inc., an operating geothermal power company based in Boise, Idaho. He has a 40 year history in urban planning, energy security and power plant development in Canada and internationally. John was a founding director of the Greater Toronto Airports Authority in 1992 and chaired the first Planning and Development Committee of that Board, which provided oversight in the construction of the \$4.4 billion terminal complex at Toronto Pearson Airport completed in 2004. Additionally, he was co-founder and a founding Director of the Borealis Infrastructure Fund in 1997 which is now owned by the Ontario Municipal Employee Retirement System (OMERS). John has worked in the financial services industry as an investment banker with Loewen Ondaatje McCutcheon and has served on the Board of Directors of Sheridan College and was President of the Canada-Sri Lanka Business Council from 1994 to 1997. His background includes 10 years at Ontario Hydro where he was responsible for community impact studies, alternative energy and latterly for international market development for the New Business Ventures Division which became Ontario Hydro International. John has also acted as a senior advisor to Falconbridge on the Koniambo project now owned by SMSP and Glencore Xstrata, a \$4 billion mine, smelter, power plant and port project in New Caledonia which was completed in 2013. He has also worked in infrastructure fund development for Aurion Capital and Integrated Private Debt. John is a Registered Professional Planner in the Province of Ontario and a member of the Canadian Institute of Planners. John has a BSc. from Springfield College in Massachusetts and

a Masters of Environmental Studies (Urban/Environmental Planning) from York University in Ontario.

**Suganya Tharmalingam:** Suganya Tharmalingam is a Managing Director & Chief Financial Officer at Kensington. Suganya is responsible for the finance functions at Kensington, including corporate and investment finance, enterprise reporting, tax and audit. Suganya joined Kensington in 2007 and has served as an active member of the Kensington finance and accounting group, as well as a principal on the Kensington investment team. Prior to Kensington she spent several years at Deerfield Capital Management, a fixed income investment adviser based in Chicago, where she was responsible for all aspects of accounting and reporting. Suganya was previously an accountant with FreeBalance, an Ottawa based global provider of software solutions for public financial management. Suganya holds a B.Comm in the Specialist Program in Management and Economics from the University of Toronto. Suganya is a Certified Public Accountant (US), Chartered Professional Accountant and Certified Valuation Analyst.

**Jeffrey Pike:** Jeffrey is a Senior Vice-President of the Manager, responsible for leading the sales, marketing and distribution development efforts. Jeffrey has been involved in the financial services industry for over 25 years, with extensive senior experience in the Mutual Fund and Brokerage sectors. He has led numerous product and business development initiatives covering mutual funds, wrap programs, retirement solutions and private label investment programs. Prior to joining Kensington, Jeffrey ran his own Asset Management consulting practice providing Financial Services clients with differentiated ideas in developing distribution for their offerings. Jeffrey was previously Managing Director of SEI Investments Canada for over 11 years, where he led their very successful launch to the Advisor community in Canada. Jeffrey holds a B.A. (English) from York University.

**Peter Fink:** Peter is a Senior Vice-President of the Manager. Peter has over 30 years of capital market and institutional investor experience. His previous experience includes 18 years at Citigroup where he led a number of initiatives with institutional investors, including as the head of pension fund relationships in North America. He subsequently worked at Russell Investments in Canada and the U.S. in senior relationship management and business development roles over a six year period. Most recently, he worked at FLAG Capital LLC and prior to that, Private Advisors LLC in senior business development roles. Peter has a B.Comm from the University of Toronto and a MBA from Columbia University.

**Michelle Scarborough:** Michelle is a Senior Vice-President of the Manager and leader of the Manager's Calgary Office. Michelle is an experienced Canadian venture capitalist, with a strong track record in the energy technology sector. A recognized leader in the investment community, Michelle is the Chair of the National Angel Capital Organization, the founder of the Women's Angel Network in Canada as well as an advisory member for Women in Energy and Private Equity. She also led the establishment of the Ontario Emerging Technologies Fund, and founded a number of start-ups giving her a deep understanding of the venture capital ecosystem in Canada and the United States. Prior to joining the Manager, Michelle was a Founder and Managing Partner of Fronterra Ventures, an oil and gas technology venture fund. An experienced entrepreneur, Scarborough has also served as the Managing Director and Entrepreneur in Residence of the Regional Innovation Centre for Ottawa and Eastern Ontario where her team worked with over 400 high potential companies raising close to \$100 million for portfolio clients to support scalable global growth. Michelle holds a dual B.A. (Science and Communications) from the University of Calgary.

## **Advisory Board**

The Manager's advisory board (the "Advisory Board") consists of the following members: Sean Aylward, Kevin Crull, Dr. Sheldon Levy, Rubin Osten and Keith Wettlaufer.

**Sean Aylward:** Sean Aylward is a Partner in the Toronto Tax Department of Osler Hoskin & Harcourt primarily focused on commodity taxation, customs and related cross-border matters. Sean co-owned and served as a Director of Riverfront Medical Services, at the time one of Canada's largest privately owned third party medical assessment companies. He is currently a Director of a privately held company that is involved in enterprises including specialty finance and lending, real estate, and developing and marketing products for the sporting industry that will lead to early detection of concussion. Sean graduated with a B.A. from the University of Ottawa in 1982. He obtained his LL.B. from Osgoode Hall Law School in 1985 and his LL.M. from the London School of Economics in 1988. Sean is a member of the Law Society of Upper Canada, the Canadian Bar Association, the Canadian Tax Foundation and the International Fiscal Association.

**Kevin Crull:** Kevin has been the President of Bell Media Inc. at BCE, Inc. since April 1, 2011. Kevin served as Chief Operating Officer of Bell Media Inc. from November 2010 to April 2011, and as President of Residential Services of Bell Canada since September 2, 2005 where he was responsible for wireline, high-speed Internet and video services. Previously, Kevin was Senior Vice-President of AT&T Consumer and Small Business from 2001 to 2004, and also served as Senior Vice-President & General Manager of its wireless business during 2004. Prior to his tenure at AT&T, he spent five years with US West as Senior Vice President of the Consumer Services Group and nine years with Nestle where he advanced from an entry level position to Division Vice President of Beverage Sales. Kevin holds a Master of Business Administration from the University of San Francisco as well as a Bachelor's degree in Marketing from Ohio State University, and has also completed leadership development programs at the Dale Carnegie and Aspen Institutes. Kevin serves on the Board of Bell Aliant Regional Communications Inc. as well as National Director of the Bell Walk for Kids Help Phone.

**Dr. Sheldon Levy:** Dr. Levy co-owned and served as the President and Medical Director of Riverfront Medical Services, at the time one of Canada's largest privately owned third party medical assessment companies. Sheldon remains a consultant to the new owners of the company. Sheldon practiced as a Clinical Associate in Cardiovascular Surgery at both Sunnybrook Health Sciences Centre and St. Michael's Hospital. Sheldon is currently a Director of a privately held company that is involved in enterprises including specialty finance and lending, real estate, and developing and marketing products for the sporting industry that will lead to early detection of concussion. Sheldon graduated from the University of Western Ontario Medical School in 1991. Sheldon is a member of the Medical-Legal Society of Toronto, Canadian Society of Medical Evaluators, C-SAM (Canadian Society of Addiction Medicine), CMPA, CPSO and the OMA.

**Rubin Osten:** Ruby Osten is President and Chief Executive Officer of Raspberry Investments Corp., an investment and consulting firm. He is also a director and advisor to a number of private companies as well as a member of the Board of Governors of Mount Sinai Hospital in Toronto. Ruby is a Chartered Accountant and a member of the Institute of Chartered Accountants of Ontario. Ruby co-founded PC DOCS Group International Inc., formerly a TSX and NASDAQ-listed company, and served as its President and Chief Executive Officer until the

company's sale in 1999. PC DOCS was a global software company and the leading provider of document management with revenues in excess of \$200 million and offices in 20 countries worldwide. Ruby was the Chairman and Chief Executive Officer of Cowboy Corp., a provider of customer relationship management software for the automotive industry from January 2000 until the company's sale in February 2003. Ruby was a director of Spectra Securities Software Inc., a provider of software to the financial services industry focused on wealth management from January 2000 until the Company's sale in July 2002. He was also a director and chair of the audit committees of the Movie Distribution Income Fund, an income trust (TSX) and of MediSolution Ltd. (TSX), a provider of information technology to the healthcare industry.

**Keith Wettlaufer:** Keith Wettlaufer is the former Chief Financial Officer and Executive Vice President of Commercial Services of Bruce Power. Prior to joining Bruce Power, Keith was employed by Linamar Corporation as Chief Financial Officer and Executive Vice President of Strategic Development. From 1996 through 2000, Keith was employed by A.G. Simpson Co. Limited, a metal fabrication company in the automotive industry. Previously, Keith was President of InterTAN Inc., which owned and operated 3000 Radio Shack retail stores in Canada, Australia, United Kingdom, Belgium, France and Holland. Keith spent seven years with Magna International as Treasurer, and as Executive Vice President, Finance & Administration for Cosma International, a unit of Magna that focused on automotive body systems. Keith was Director of Internal Audit at The Oshawa Group. Keith joined Price Waterhouse Chartered Accountants and spent six years with that firm. Keith obtained an undergraduate degree in Economics and Accounting at Wilfrid Laurier University and obtained his Chartered Accountant designation in 1976. Keith represents Kensington on the board of Plainfield Industries.

### ***Independent Review Committee***

Canadian securities regulatory authorities established National Instrument 81-107 to, among other things, provide certain requirements for publicly offered investment funds including the requirement to establish an Independent Review Committee to whom the fund manager must refer all conflict of interest matters for review. Global Fund was established as a reporting issuer subject to these requirements and the Declaration of Trust establishes the same requirements of the Investment Fund on an ongoing basis. Accordingly, The Manager has appointed three members of the Advisory Board to act as the Investment Fund's Independent Review Committee (the "IRC") to refer conflict of interest matters arising in respect of the Investment Fund for review.

The Manager has established written policies and procedures for dealing with conflict of interest matters, maintains records in respect of these matters, and provides assistance to the Independent Review Committee in carrying out its functions. The Independent Review Committee is comprised of three independent members, and is subject to requirements to conduct regular assessments and provide reports to the Investment Fund and its unitholders. The Independent Review Committee members are Rubin Osten, Sean Aylward and Keith Wettlaufer, each of whom is also a member of Kensington's independent Advisory Board and described above.

The Investment Fund paid \$5,000 to each member of the Independent Review Committee between April 1, 2014 and March 31, 2015.

## ***Investment Committee***

The investment committee (the “Investment Committee”) must review and approve every investment proposed by the Manager prior to the completion of such investment. The Investment Committee consists of the following individuals: Thomas Kennedy (Chair), Richard Nathan, John Walker, Suganya Tharmalingam and Eamonn McConnell.

## **CONFLICTS OF INTEREST**

The Manager and its affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The Manager invests in private equity markets on behalf of institutional investors and high net worth individuals and invests in private equity funds from time to time that focus on a wide variety of opportunities in the private equity market. The services provided by the Manager under the Management Agreement are not exclusive and nothing in the Management Agreement prevents the Manager, or any of its affiliates, from providing similar services to other investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Investment Fund) or from engaging in other activities. The Manager’s investment decisions for the Investment Fund will be made independently of those made for other persons and independently of its own investments.

From time to time, the Manager (or its affiliates) may enter into agreements with private equity fund managers or fund of funds managers to provide assistance within the Canadian market, or to provide assistance to the Manager in developing business opportunities in their local markets.

The responsibility for reviewing conflicts of interest has been delegated to the IRC. The IRC will consider all matters referred to it and provide its recommendations to the Manager, as applicable, as soon as possible. The recommendation of the IRC in respect of such matters will not be binding. The Manager will however, at all times while serving as Manager and Trustee, respectively, remain bound by their duties to act in the best interests of Unitholders.

## **Kensington Private Funds**

The Manager has established a number of other investment funds which focus on private equity investments in various sectors and geographic regions (the “Kensington Private Funds”). The Manager intends to establish additional Kensington Private Funds in the future. The investments made by the Kensington Private Funds will consist of investments in underlying private equity funds, direct investments in private companies as well as opportunistic investments and temporary investments in accordance with each Kensington Private Fund’s separate investment objectives.

Any investment opportunity identified by the Manager which is within the investment objectives for both the Investment Fund and any Kensington Private Fund will be allocated, on an equitable basis, between the Investment Fund and the Kensington Private Fund. Generally, investment opportunities will be allocated on a pro rata basis between the Investment Fund and the Kensington Private Fund based on the amount of capital each has available for investment within its allocation to the geographic region or private equity sector

in which the investment opportunity will fall, except to the extent the investment would conflict with any legal requirement to which either is subject, or would otherwise give rise to adverse consequences for the Investment Fund, the Kensington Private Fund or their respective investors. The allocation to any geographic region or private equity sector of the Investment Fund may be fixed by the Manager from time to time consistent with the Investment Fund's investment objective. No additional fees will be payable by the Investment Fund as a result of this parallel investment arrangement.

The Investment Fund may invest directly in a Kensington Private Fund in addition to, or instead of, investing in parallel with the Kensington Private Funds. The Investment Fund may only do so if the Manager determines that the Investment Fund is able to make such investments directly in a Kensington Private Fund without any significant risk of adverse economic or tax effects on the Investment Fund or the Unitholders, as determined by the Manager after consultation with counsel, and provided that any such direct investment in a Kensington Private Fund is made on a basis which achieves the same or better terms and conditions in aggregate as investing in parallel with the Kensington Private Funds, including ensuring that there is no duplication of management fees paid to the Manager or any of its affiliates. If the Investment Fund desires to invest directly in a Kensington Private Fund, investment is subject to the annual management fees (but, for greater certainty, not any carried interest or performance fees) paid by the Kensington Private Fund to the Manager or any of its affiliates, in respect of such investment made by the Investment Fund, will be offset against the annual management fee paid by the Manager to the Investment Fund.

### **Principal Holders of Units**

As of March 31, 2015, the Board of Trustees of the B.C. Credit Union Employee's Pension Plan B.C. ("B.C. Credit Union") holds 1,315,243 Class G Units, which constitutes 65.5% of the issued and outstanding Class G Units of the Investment Fund.

### **DESCRIPTION OF UNITS OF THE INVESTMENT FUND**

The Investment Fund is authorized to issue an unlimited number of Class A Units, Class E Units, Class F Units and Class G Units, each of which represents an equal, undivided beneficial interest in the net assets of the Investment Fund and entitles the holder generally to the same rights and obligations as a holder of any other Unit and no Unit class shall have any privilege, priority or preference in relation to any other Unit class. The only differences between the classes of Units are the management fee, the basis upon which performance fees are calculated and the form in which performance fees are paid and the service fees payable in respect of the Units of each class, as described under "Fees and Other Expenses".

Units of each class will be issued as fully paid and, once issued, shall be non-assessable. There shall be no limit to the number of Units that may be issued, subject to any determination to the contrary made by the Trustee of the Investment Fund in its sole discretion.

The Units of each class shall have the following rights, privileges and restrictions:

- (a) each Unit shall entitle the holder thereof to one vote at all meetings of Unitholders;

- (b) each Unit is entitled to participate equally with respect to any and all distributions made by the Investment Fund, including distributions of net income and net realized capital gains; and
- (c) on liquidation or termination of the Investment Fund, each Unit shall entitle the holder thereof to participate equally with respect to the distribution of the remaining assets of the Investment Fund after payment of the Investment Fund's debts, liabilities and liquidation or termination expenses pursuant to Article 12 of the Declaration of Trust.
- (d) In addition:
  - (i) there shall be no pre-emptive rights attaching to Units;
  - (ii) there shall be no liability for future capital calls or assessments attaching to Units;
  - (iii) the Trustee and the Manager of the Investment Fund may be Unitholders;
  - (iv) the Trustee may in its discretion subdivide the Units outstanding at any time so that the number of outstanding Units may be increased, or consolidate the Units outstanding at any time so that the number of outstanding Units may be decreased; and
  - (v) the provisions or rights attaching to the Units of a class may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in section 13.3 of the Declaration of Trust. See "Declaration of Trust - Acts Requiring Unitholder Approval".

### **Conversion Rights**

The Units are convertible into any one of the other three classes of Units on a monthly basis by notice delivered no later than 5:00 p.m. (Toronto time) on the tenth business day prior to the last business day of a month (a "Conversion Date") and any Unit so surrendered shall be converted into any other Unit class on such last business day of such month. For each Unit of a particular class so converted, a holder will receive a number of Units of the selected class equal to the Net Asset Value per class of Unit surrendered as of the Conversion Date divided by the Net Asset Value of the class of Unit subscribed as of the Conversion Date.

### **Redemption**

A Unitholder may redeem Class A Units or Class F Units on the last business day in December of each year (a "Redemption Date") for a redemption price per Unit equal to the NAV per Unit of the class determined on the Redemption Date less a redemption fee of 10% of the NAV per Unit of the class, less any costs incurred by the Investment Fund in funding the redemption, including commissions paid by the Investment Fund.

A Unitholder may redeem Class E Units or Class G Units on a Redemption Date for a redemption price per Unit equal to the NAV per Unit of the class determined on the

Redemption Date, less any costs incurred by the Investment Fund in funding the redemption, including commissions paid by the Investment Fund and less the applicable redemption fee. The redemption fee applicable on the redemption of Class E Units or Class G Units is an amount equal to (i) 10% of the NAV per Unit of the class if the holder has held such Units for 3 years or less, (ii) 5% of the NAV per Unit of the class if the holder has held such Units for more than 3 years but not more than 5 years, and (iii) nil if the holder has held such Units for more than 5 years.

If the redeeming Unitholder acquired Class E Units or Class G Units by converting Class A Units or Class F Units into such Units, the period of time that the holder held such Class A Units or Class F Units prior to such conversion is not included in determining the amount of the redemption fee applicable on redemption of such Class E Units or Class G Units. If the redeeming Unitholder acquired Class E Units or Class G Units by converting Class G Units or Class E Units into such Units, the period of time that the holder continuously held Class G Units or Class E Units prior to conversion shall be included in determining the amount of the redemption fee applicable on redemption. For the purpose of determining duration of ownership prior to redemption, ownership of units in Global Fund prior to the Transition Date shall be considered ownership of the same class of Units in the Investment Fund.

The redemption fee payable on a redemption of Units of a class is hereinafter referred to as the “Redemption Fee”.

No more than 20% of the outstanding Units of a class may be redeemed on any Redemption Date. If more than 20% of the outstanding Units of a class are surrendered for redemption on any Redemption Date, redemptions will be conducted on a pro rata basis.

The Manager has a right to designate a purchaser for any Units tendered for redemption. In such case, the Units will be purchased by the designated purchaser at the redemption price and will not be redeemed.

### ***Redemption Procedures***

A Unitholder who desires to exercise redemption privileges must do so by causing a FundSERV Participant to deliver to FundSERV on behalf of the Unitholder a written notice of the Unitholder’s intention to redeem Units, no earlier than 120 days and no later than 5:00 p.m. (Toronto time) on the 60th day prior to the applicable Redemption Date. A Unitholder who desires to redeem Units should ensure that the FundSERV Participant is provided with notice (the “Redemption Notice”) of the Unitholder’s intention to exercise such holder’s redemption privilege sufficiently in advance of the relevant notice date so as to permit the FundSERV Participant to deliver notice to FundSERV by the required time. The Redemption Notice will be available from a FundSERV Participant or the Investment Fund’s registrar and transfer agent (SGGG Fund Services Inc.). Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

By causing a FundSERV Participant to deliver to FundSERV a notice of the Unitholder’s intention to redeem Units, a Unitholder shall be deemed to have irrevocably surrendered its Units for redemption and appointed such FundSERV Participant to act as its exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice which FundSERV (or on termination of FundSERV, the transfer agent and

registrar) determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a FUNDSERV Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder's instructions will not give rise to any obligations or liability on the part of the Investment Fund to the FUNDSERV Participant or to the Unitholder. The Investment Fund has the option to terminate registration of the Units through FundSERV, in which case Unitholders must provide the transfer agent and registrar with a Redemption Notice no later than 5:00 p.m. (Toronto time) on the 60th day prior to the applicable Redemption Date.

### ***Suspension of Redemptions***

The Manager may suspend the redemption of Units or payment of redemption proceeds for any period not exceeding 90 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Investment Fund or which impair the ability of the Manager to determine the value of the assets of the Investment Fund. Such conditions may include (but are not limited to) changes affecting financial markets or the private equity markets generally (or a segment thereof) or a material adverse change in the business and affairs of the Investment Fund. The suspension may apply, in the discretion of the Manager, to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Trustee of the suspension and that the redemption will be effected at the redemption price determined as of the Redemption Date in respect of which the Unitholder exercised its redemption privilege, upon the calculation of such redemption price within such 90 day period. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any governmental body having jurisdiction over the Investment Fund, any declaration of suspension made by the Manager shall be conclusive.

### ***Designated Purchasers***

Each Unitholder is deemed to have granted the Manager a right, exercisable prior to any relevant Redemption Date, to designate a purchaser for any Units tendered for redemption, which purchaser may be a Kensington Private Fund or an affiliate of the Manager. If the Manager exercises this right in respect of any Units tendered for redemption, the Units will be purchased by the designated purchaser at the redemption price and will not be redeemed.

### ***Recirculation of Redeemed Units***

Subject to the Manager's right to designate a purchaser for any Units tendered for redemption as described above, the Investment Fund may, at any time, enter into an agreement (a "Recirculation Agreement") with an agent (the "Recirculation Agent") pursuant to which the Recirculation Agent will find purchasers for any Units tendered for redemption prior to the relevant Redemption Date. Under the Recirculation Agreement, the Investment Fund will be permitted to, but will not be obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the

applicable Redemption Payment Date will be an amount equal to the proceeds of the sale of the Units of a class less any applicable commission, provided that such amount will not be less than the applicable redemption price of the class, as applicable, less any costs incurred by the Investment Fund in funding the redemption that would otherwise be paid to the Unitholder for such redeemed Units, as described above. Subject to the Investment Fund's right to require a Recirculation Agent to find purchasers for any Units tendered for redemption prior to the relevant Redemption Date, any and all Units which have been surrendered to the Investment Fund for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date, unless not redeemed thereon, in which event such Units will remain outstanding.

### **Market Purchases of Units**

The Investment Fund shall have the right (but not the obligation) at any time, exercisable in its sole discretion, to purchase Units in the market, subject to any applicable regulatory requirements and limitations. The Investment Fund may make such purchases as normal course issuer bids through the facilities and the rules of the TSX or such other exchange or market on which the Units are then listed or as otherwise permitted by applicable law.

### **Book-Entry Only System**

Registration of interests in and transfers of Units will only be made through FUNDSERV. Any purchase or transfer of Units must be made through a FUNDSERV Participant. Indirect access to the FUNDSERV system is also available to other institutions that maintain custodial relationships with a FUNDSERV Participant, either directly or indirectly. Each purchaser of a Unit will receive a customer confirmation of purchase from the FUNDSERV Participant from whom such Unit is purchased in accordance with the practices and procedures of such FUNDSERV Participant.

The Investment Fund has the option to terminate FUNDSERV, in which Units in fully registered certificated form will be issued to Unitholders, as of the effective date of such termination.

## **DECLARATION OF TRUST**

Pursuant to the Declaration of Trust, the Manager is the administrator and Trustee of the Investment Fund and, as such, is responsible for providing or arranging for required administrative services to the Investment Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Investment Fund; preparing financial statements and financial and accounting information as required by the Investment Fund; approving financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time and ensuring that Unitholders are provided with such statements and reports as required; ensuring that the Investment Fund complies with regulatory requirements; preparing the Investment Fund's reports to Unitholders; fulfilling its fiduciary responsibilities; determining the amount of distributions to be made by the Investment Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers.

## Acts Requiring Unitholder Approval

The following matters relating to the Investment Fund require approval of the Unitholders by Extraordinary Resolution:

- (a) the issuance of additional Units at a price less than the most recently calculated NAV per Unit of the relevant class prior to the date of the setting of the issue price;
- (b) a change in the investment objective and strategy of the Investment Fund;
- (c) a change in the investment restrictions of the Investment Fund;
- (d) (A) after the occurrence of Cause (as defined in the Declaration of Trust) in respect of the Trustee, the removal of the Trustee, or (B) after the occurrence of Cause (as defined in the Management Agreement), the removal of the Manager and termination of the Management Agreement;
- (e) a decrease in the frequency of calculating the NAV per Unit of the relevant class or of redeeming Units;
- (f) an amendment, modification or variation in the provisions or rights attaching to the Units; or
- (g) any material change in the calculation of performance fees payable to the Manager, including any change in the minimum NAV required for the Manager to earn its performance fee.

The following matters relating to the Investment Fund require approval of the Unitholders by a simple majority vote:

- (a) any change in the basis of calculating fees or other expenses that are charged to the Investment Fund which could result in an increase in charges to the Investment Fund;
- (b) a change of the auditors;
- (c) a reorganization with, or transfer of assets to, another investment fund, if (A) the Investment Fund ceases to continue after the reorganization or transfer of assets; or (B) the transaction results in Unitholders becoming security holders in the other investment fund; or
- (d) a reorganization with, or acquisition of assets of, another investment fund, if (A) the Investment Fund continues after the reorganization or acquisition of assets; (B) the transaction results in the securityholders of the other investment fund becoming Unitholders of the Investment Fund; and (C) the transaction would be a significant change to the Investment Fund.

## Meetings of Unitholders

The Investment Fund does not intend to hold annual Unitholder meetings unless required under applicable law or regulatory requirements. A meeting of Unitholders of the Investment Fund may be convened by the Manager at any time and must be convened if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition specifying the purpose of the meeting. At any such meeting, each Unitholder will be entitled to one vote for each Unit of each class registered in the Unitholder's name. Meetings of Unitholders shall be held at the head office of the Investment Fund, or such other place within the Province of Ontario as the Trustee shall determine and designate.

## Proxy Voting Guidelines

The Investment Fund has adopted proxy guidelines (the "Proxy Guidelines") with respect to the voting of proxies received by it relating to voting securities held from time to time by the Investment Fund. Pursuant to the Proxy Guidelines, the Manager will vote proxies in the best interests of Unitholders.

The Proxy Guidelines will apply to the voting of any securities comprising the Liquid Investments as well as voting by the Investment Fund in its capacity as limited partner or equity holder in an Underlying Investment. Given the nature of the securities comprising Liquid Investments which the Investment Fund will hold, it is likely to receive proxies in respect of securities comprising Liquid Investments on an infrequent basis. Similarly, holdings of private equity fund interests will require voting by the Investment Fund on an infrequent basis, on material matters. Ultimately, each vote will be cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of each vote.

The Proxy Guidelines set out various factors that the Manager will consider when voting, or refraining from voting, proxies or underlying interests, including that:

- (a) the Manager will generally vote with management on routine matters relating to the operation of an issuer that are not expected to have a significant economic impact on the issuer or its securityholders, unless the Manager determines that the management recommendation should not be supported because it is not in the best interests of securityholders of that issuer;
- (b) Underlying Investments which are holdings in direct portfolio investments but are subject to a co-investment arrangement will generally be voted as required by such co-investment arrangement; and
- (c) the Manager will review and analyze, on a case-by-case basis, and may in its discretion discuss with the Advisory Board, non-routine proposals and issues which are potentially contentious or that are more likely to have an impact on the value of the investment held by the Investment Fund.

The Investment Fund's Proxy Guidelines and the proxy voting record are available to Unitholders on request, at no cost, by contacting the Manager at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6 and the Proxy Guidelines will also be made available on the Manager's website at [www.kcpl.ca](http://www.kcpl.ca).

## Termination of the Investment Fund

The Investment Fund does not have a fixed termination date. The Trustee may, in its discretion, terminate the Investment Fund without the approval of Unitholders if, in the opinion of the Manager after consulting with the Advisory Board, the NAV of the Investment Fund has been reduced as a result of redemptions or otherwise such that it is no longer economically feasible to continue the Investment Fund and it would be in the best interests of the Unitholders to terminate the Investment Fund.

Immediately prior to the date of termination of the Investment Fund, the Manager will, to the extent possible, convert the assets of the Investment Fund to cash and the Trustee shall, after paying or making adequate provision for all of the Investment Fund's liabilities, distribute the net assets of the Investment Fund to Unitholders on a pro rata basis as soon as practicable after the date of termination of the Investment Fund. The termination date will also be a Valuation Date (as defined below) for purposes of calculating fees payable to the Manager, and the Manager's share of net assets on termination will also be distributed in respect of Units issued to the Manager in satisfaction of such fees.

## Information and Reports to Unitholders

The Investment Fund's fiscal year end is March 31 in each year. Although the Investment Fund is not subject to National Instrument 81-106 - *Investment Fund Continuous Disclosure*, the Investment Fund will prepare and publish an annual information form, financial statements and a semi-annual management report of fund performance on a basis consistent with the preparation of such reports for Global Fund, the predecessor of the Investment Fund, which was subject to certain public disclosure requirements as a reporting issuer. All such reports will be published on the Manager's website at [www.kcpl.ca](http://www.kcpl.ca).

The Investment Fund is operating in accordance with relief originally obtained by the Global Fund from National Instrument 81-106 - *Investment Fund Continuous Disclosure* as a result of which (i) the Investment Fund's statement of investment portfolio will not disclose the current value of each portfolio asset that is an Underlying Investment; and (ii) the Investment Fund's summary of investment portfolio will not disclose the percentage of net assets of the Investment Fund represented by each of the Investment Fund's top 25 positions. The Investment Fund will be required to enter into confidentiality agreements with various managers of the Underlying Investments as a condition of investment. These confidentiality agreements may prohibit disclosure of current values and other financial information related to the Underlying Investments. The Investment Fund will disclose the current value of the Underlying Investments according to industry class and geographic region in its statement of investment portfolio, as well as the cost amount for each Underlying Investment. The Investment Fund will also disclose the aggregate current value of the Underlying Investments expressed as a percentage of net assets of the Investment Fund in its summary of investment portfolio.

## DISTRIBUTIONS

The Investment Fund's predecessor, the Kensington Global Private Equity Fund, and the Investment Fund have completed the following distributions to Unitholders of net realized gains on investments:

September 20, 2011	\$1,712,851	\$0.68 per Unit
September 19, 2012	\$4,167,164	\$1.56 per Unit
March 5, 2013	\$5,968,960	\$2.13 per Unit
October 23, 2014	\$7,384,269	\$2.26 per Unit
March 13, 2015	\$4,617,993	\$1.30 per Unit

The Manager currently expects that the profits from the sale of portfolio companies held by Underlying Funds, as well as the sale of other Underlying Investments, will continue to provide a flow of distributions to the Investment Fund, with the opportunity for corresponding distributions to Unitholders.

The aggregate distributions of net income and net realized capital gains made in each year shall be such amount as is sufficient to ensure that the Investment Fund is not liable for income tax on such distributions under the Tax Act, except to the extent that any tax payable on net realized capital gains of the Investment Fund for a year that are retained by the Investment Fund would be recoverable by it in respect of such year. To the extent that net income of the Investment Fund for purposes of the Tax Act exceeds distributable cash, such excess will be distributed in the form of additional Units of each class.

The level of distributions paid by the Investment Fund will vary over time and there can be no assurance that the Investment Fund will make any cash distributions in any particular year.

## VALUATION

The NAV of the Investment Fund on any date will be equal to the difference between the aggregate value of the assets of the Investment Fund and the aggregate value of the liabilities of the Investment Fund on that date, other than liabilities relating exclusively to a specific class of Units, as determined from time to time. The NAV will include any net income, net realized and unrealized capital gains and other amounts payable to Unitholders on or before such date, and before giving effect to any redemptions or issuances of Units to be implemented as of such date, expressed in Canadian dollars at the applicable exchange rate on such date and rounded to four decimal places.

The NAV of a class of Units of the Investment Fund on any date will be equal to (i) the aggregate value of the property of the Investment Fund on such date less the aggregate amount of the Investment Fund's liabilities on such date, other than liabilities relating exclusively to a specific class of Units, multiplied by a fraction, the numerator of which is the number of Units of the class outstanding and the denominator of which is the total number of

Units of the Investment Fund outstanding minus (ii) all liabilities relating exclusively to the class on such date, as determined from time to time.

The “NAV per Unit of a class” is the NAV of a class of Units divided by the number of outstanding Units of such class (determined before giving effect to any reinvestment of net income, net realized capital gains or other distributions then payable to Unitholders and before giving effect to any redemptions or issuances of Units to be implemented as of such date) as determined from time to time.

The NAV and the NAV per Unit of each class will be calculated by the Manager as of (i) the fifteenth day of each month, or if the fifteenth day is not a business day, on the preceding business day, and (ii) the last business day of each month, and may also be calculated on any other date as the Trustee may require (each, a “Valuation Date”) and posted on the Manager’s website at [www.kcpl.ca](http://www.kcpl.ca) and at such other times as determined by the Manager.

Most of the investments made by the Investment Fund, including investments that are made through the Underlying Funds, will be in the form of investments for which no published market exists. The Manager will be required to make good faith determinations as to the fair value of these investments in determining the NAV of the Investment Fund on each Valuation Date and on a semi-annual basis in connection with the preparation of the Investment Fund’s financial statements.

In determining the NAV and the NAV per Unit of each class at any time:

- (a) the value of non-public investments will be determined by the Manager at fair market value in such manner as it may reasonably determine (in this regard, the Manager will be guided by definitive information received from the managers of Underlying Funds (and from lead co-investors in other Underlying Investments where applicable) such as their published quarterly reports and interim information regarding completed transactions, but will generally not adjust the NAV based on anticipated transactions which are not yet completed or other factors, until such adjustments are reflected in such definitive reports);
- (b) the value of any publicly-listed common shares and other securities will be the latest closing price for such common shares or other securities on the principal stock exchange on which they are listed and traded prior to the determination of the NAV and the NAV per Unit of each class, provided, however, that the Manager may apply a discount to the public market price where contractual lock-ups or other similar restrictions on trading exist, based on guidance received from the Investment Fund’s co-investor in the company or from other parties in a position to assess the liquidity of the investment;
- (c) the value of any cash on hand or on deposit, prepaid expenses, cash dividends or distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

- (d) notes, money market instruments and other debt securities shall be valued at their quoted market price at the close of trading on the last day of trading prior to the NAV Date;
- (e) if a Valuation Date is not a business day, then the securities comprising the Underlying Investments and other property of the Investment Fund will be valued as if such Valuation Date were the preceding business day;
- (f) all fees and expenses of the Investment Fund that are based on the NAV and the NAV per Unit of each class will be deducted after the applicable NAV calculation; and
- (g) the liabilities relating exclusively to a specific class of Units to be deducted in determining the NAV of that class of Units will not be deducted from the NAV of the other class of Units; for example, liabilities to be deducted in determining the NAV of the Class A Units (but which would not be deducted in determining the NAV of the other classes of Units) include the service fee payable as described under “Fees and Expenses - Service Fee”.

If an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding such rules, the Manager will make such valuation as it considers fair and reasonable and, if there is an industry practice, in a manner consistent with industry practice for valuing such investment.

The Investment Fund’s valuation policies may be modified from time to time by the Trustee acting reasonably and in the best interests of Unitholders. A copy of the valuation policies currently in effect can be found on the Manager’s website at [www.kcpl.ca](http://www.kcpl.ca).

## **FEES AND OTHER EXPENSES**

### **Management Fee**

Pursuant to the Management Agreement, the Manager is entitled to receive from the Investment Fund an annual fee, calculated and paid quarterly in advance, equal to a percentage of the NAV of the Units of the class calculated as of the Valuation Date that immediately precedes the commencement of the quarter in respect of which the fee is payable, plus applicable taxes (the “Management Fee”). The annual Management Fee payable in respect of the Class A Units and the Class F Units is 1.95%. The annual Management Fee payable in respect of the Class E Units and the Class G Units is 1.65%. The Management Fee is paid on the first business day of each quarter.

Pursuant to the agreements governing the Kensington Private Funds, the Manager is entitled to certain management fees and, in some cases, carried interest payments. These amounts will be borne by investors in the Kensington Private Funds, and not the Investment Fund. Should the Investment Fund invest directly in a Kensington Private Fund, the annual management fees (but, for greater certainty, not any carried interest or performance fees) paid by the Kensington Private Fund to the Manager or any of its affiliates, in respect of such investment made by the Investment Fund, will offset the annual management fee paid to the

Manager by the Investment Fund. The result of these offsets will be that an investor in the Investment Fund will only ever pay one fund of funds annual management fee to the Manager.

From time to time to encourage a large holding of Units, the Manager may, in its sole discretion, reduce the Management Fee otherwise payable to it and allocate the benefit of such reduced fee to the Unitholder. In such case, the Investment Fund will distribute to the Unitholder an amount equal to the reduction of the Management Fee. The amount of the Management Fee reduction is negotiable between the Manager and the Unitholder and will be based, among other factors, on the size of the holdings by the Unitholder in the Investment Fund. Such Management Fee distributions will be made quarterly by the Investment Fund to the relevant Unitholder in an amount equal to the portion of the fee otherwise payable to the Manager. If the Manager determines to reduce its Management Fee in respect of one Unitholder, it will not be bound to do so in respect of other Unitholders or subsequent Unitholders.

### **Service Fee**

The Manager will be paid, as an additional fee, by the Investment Fund on a quarterly basis, an amount equal to the service fee to be paid by the Manager to registered dealers whose clients hold Class A Units or Class E Units. The annual service fee payable in respect of the Class A Units is 0.40% and the annual service fee payable in respect of the Class E Units is 1.00%. No service fee is payable in respect of the Class F Units or Class G Units.

### **Performance Fee**

The Manager may earn a performance fee (the “Performance Fee”) based on distributions to Unitholders of net income and of net realized capital gains (and excluding any amounts distributed as a return of capital). The amount of the Performance Fee shall be that amount which results in the Manager receiving 10% of the sum of the total amount paid as cash distributions plus the total amount paid as the Performance Fee. A Performance Fee in respect of the Class A Units and the Class F Units is payable to the Manager in the form of Units, while the Performance Fee in respect of the Class E Units and Class G Units is payable to the Manager in cash. A Performance Fee shall not be paid to the Manager unless the Investment Fund makes cash distributions to Unitholders.

In order for the Manager to earn the Performance Fee on any class of Units in any year, the NAV per Unit of that class must be at least equal to the “Fully Paid NAV per Unit” at the time a Distribution is declared. The Fully Paid NAV per Unit is currently \$20.00 per Unit and will be reduced by any amounts distributed to investors as a return of capital. In addition, in order for the Manager to earn the Performance Fee on the Class A Units or the Class F Units in any year, Unitholders must have received, or must receive in such year, on a cumulative non-compounding basis since the beginning of 2010, Distributions per Unit of net income and of net realized capital gains (and excluding any amounts distributed to investors as a return of capital) equal to not less than 10% of the Fully Paid NAV per Unit for each such year.

Performance Fees which are paid in Units shall be issued at the NAV per Unit of the applicable class as at the last Valuation Date in the applicable calendar year. Twenty percent (20%) of such Units will be issued to the Manager on such Valuation Date with the remaining 80% of such Units held in escrow, vesting at a rate of a further 20% of the total amount per year over a four year period. If at the end of any year in which such Units would otherwise

vest the performance hurdle described above has not been achieved, the vesting of such Units will be deferred to the next occurring year in which the performance hurdle is achieved. In the event the Manager is removed in accordance with the Management Agreement or the Management Agreement is otherwise terminated, all unvested Units shall immediately vest and be released to the Manager.

### **Ongoing Fees**

The Investment Fund will pay for all expenses incurred in connection with its ongoing operation and administration. These expenses include: mailing and printing expenses for periodic reports to Unitholders; fees payable to the Custodian for acting as custodian of the assets of the Investment Fund including related expenses for electronic mail facilities and publications on the Manager's website; fees payable to the registrar and transfer agent of the Units for performing certain financial, record-keeping, Unitholder reporting and general administrative services; fees payable to the auditor, accountants, valuers, legal advisors and other professional advisors and professional service providers of the Investment Fund; fees and expenses incurred in connection with sourcing, reviewing, completing, monitoring and exiting investments for the Investment Fund, including in respect of potential investments which are not completed; debt service fees (including set-up and commitment fees); taxes; insurance premiums; fees payable to the Advisory Board and the IRC; ongoing regulatory filing fees and other fees; expenses relating to litigation, indemnification or the enforcement and protection of rights relating to the Investment Fund; expenses incurred pursuant to the terms of the agreements governing the Underlying Investments and related agreements; extraordinary expenses (in addition to normal day to day operating expenses); any fees or expenses incurred in connection with the issuance of additional Units of the Investment Fund (including agency fees and sales commissions); any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Investment Fund; costs and expenses of preparing, printing, and mailing financial and other reports to Unitholders, material for Unitholders' meetings and securities regulatory filings; costs and expenses of investor relations activities, including meetings and communication with Unitholders; costs and expenses arising as a result of complying with all applicable securities legislation and other applicable laws, regulations and policies; and any expenditures that may be incurred upon the termination of the Investment Fund, but excluding the fees payable to the Manager. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, any sub-advisor, the Custodian or the Manager and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Investment Fund.

### **INCOME TAX CONSIDERATIONS**

The following is a summary of the principal Canadian federal income tax considerations generally relevant to Unitholders who are individuals (other than trusts) and who, for purposes of the Tax Act, are resident in Canada, deal at arm's length with and are not affiliated with the Investment Fund and hold their Units as capital property (each a "Holder"). This summary assumes that no Holder has entered or will enter into a "derivative forward agreement" as defined in the Tax Act with respect to the Units. This summary is based upon the facts set out in this Annual Information Form, the current provisions of the Tax Act, the regulations thereunder, the Manager's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency ("CRA")

publicly available as of the date hereof, and the specific proposals to amend the Tax Act and regulations thereunder announced prior to the date hereof by the Minister of Finance (Canada) (the “Proposed Amendments”). No assurances can be given that the Proposed Amendments will become law as proposed or at all.

This summary is also based on the assumptions that the Investment Fund, together with affiliated and related parties, will not be entitled to more than 10% of the income of any partnership (or assets in the case of a winding up of a partnership), that none of the issuers of the securities held by the Investment Fund will be a foreign affiliate of the Investment Fund or of any Unitholder, and that none of the securities held by the Investment Fund will be (i) a “tax shelter investment” within the meaning of the Tax Act; (ii) an offshore investment fund property that would require the Investment Fund to include significant amounts in the Investment Fund’s income pursuant to section 94.1 of the Tax Act or an interest in a non-resident trust which would require the Investment Fund to include amounts in income in connection with such interest pursuant to section 94 or 94.2 of the Tax Act.

This summary also assumes that the Investment Fund was not established and will not be maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act.

This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, territorial or provincial income tax considerations, which might differ from the federal considerations summarized herein.

This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences to them of a prospective investment in Units in their individual circumstances.

### **Status of the Investment Fund**

Provided that the Investment Fund meets certain prescribed conditions (“minimum distribution requirements”) relating to the number of Unitholders, dispersal of ownership of Units and public trading of its Units at such time and provided that its sole undertaking is and continues to be the investing of its funds in property (other than real property or an interest in real property) and the Investment Fund complies with its investment restrictions as described in this Annual Information Form, the Investment Fund will qualify at a particular time as a “mutual fund trust” as defined in the Tax Act. This summary assumes that the Investment Fund satisfies the minimum distribution requirements at all relevant times, and that it elected to be deemed to be a mutual fund trust from the date that it was established to and including the date of such election, and that it has satisfied and will continuously satisfy the mutual fund trust requirements at all relevant times. An additional condition to qualify as a mutual fund trust for purposes of the Tax Act is that the Investment Fund may not be established or maintained primarily for the benefit of non-resident persons unless, at all times, all or substantially all of its property consists of property other than “taxable Canadian property” within the meaning of the Tax Act.

Under the Tax Act, certain trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed or traded on a stock exchange

or other public market, and that hold one or more “non-portfolio properties” (as defined) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by taxable Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation. This summary assumes that the Investment Fund will at no time be a SIFT trust.

If the Investment Fund were not to qualify as a mutual fund trust or were to qualify as a SIFT trust, the income tax consequences described below would in some respects be materially and adversely different.

### **Taxation of the Investment Fund**

The taxation year of the Investment Fund will be the period ending December 31 of each year. The Investment Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year computed pursuant to the Tax Act, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. Income tax paid by the Investment Fund on any net realized capital gains not paid or payable to its Unitholders is recoverable by the Investment Fund to the extent and in the circumstances provided in the Tax Act.

To the extent the Investment Fund holds trust units in its portfolio issued by a trust resident in Canada that is not at any time in the relevant taxation year a SIFT trust, the Investment Fund will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the Investment Fund by such trust in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such issuer. Provided that appropriate designations are made by such trust, net taxable capital gains realized by such trust and taxable dividends from taxable Canadian corporations received by the such trust that are paid or payable to the Investment Fund will effectively retain their character in the hands of the Investment Fund. The Investment Fund will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by the trust to the Investment Fund except to the extent that the amount was included in calculating the income of the Investment Fund or was the Investment Fund’s share of the non-taxable portion of capital gains of the trust, the taxable portion of which was designated in respect of the Investment Fund. If the adjusted cost base to the Investment Fund of such units becomes a negative amount at any time in a taxation year of the Investment Fund, that negative amount will be deemed to be a capital gain realized by the Investment Fund in that taxation year and the Investment Fund’s adjusted cost base of such units will be increased by the amount of such deemed capital gain.

With respect to each issuer in the Investment Fund’s portfolio that is a limited partnership that is not at any time in the relevant taxation year a SIFT partnership, the Investment Fund will be required to include, or subject to certain restrictions will be entitled to deduct, as the case may be, in computing its income, its share of net income, capital gains, losses and capital losses for tax purposes of the issuer allocated to the Investment Fund for the fiscal period of the issuer ending in the Investment Fund’s taxation year, whether or not a distribution is received in respect thereof from the issuer.

In general, the adjusted cost base at a particular time to the Investment Fund of units of a limited partnership will be equal to the cost of such units to the Investment Fund plus its

share of income and capital gains of such partnership allocated to it for fiscal years of such partnership ending before the particular time less the total of its share of losses and capital losses of the limited partnership allocated to it for fiscal years of the partnership ending before the particular time and the Investment Fund's share of any distributions received from such partnership before the particular time. If the adjusted cost base to the Investment Fund of such units is a negative amount at the end of the fiscal year of such partnership, such amount will be deemed to be a capital gain realized by the Investment Fund and the Investment Fund's adjusted cost base will be increased by the amount of such deemed capital gain.

Each issuer in the Investment Fund's portfolio that is a SIFT trust or SIFT partnership (which will generally include income trusts, other than certain REITs, and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) will be subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income and capital gains in respect of "non-portfolio properties" (collectively, the "Non-Portfolio Income"). Non-Portfolio Income that is earned by a SIFT partnership, or is distributed by a SIFT trust to its unitholders, will be taxed at a rate that is equivalent to the federal general corporate tax rate plus a provincial tax factor. Non-Portfolio Income that becomes payable by an issuer that is a SIFT trust, or that is allocated to partners in the case of a SIFT partnership, will generally be taxed as though it were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" subject to an enhanced gross-up and tax credit provided by the Tax Act.

The Investment Fund will also be required to include in its income for each taxation year in respect of debt obligations held by the Investment Fund all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

The Investment Fund will be required to include in its income for a taxation year all dividends received in the year on shares of corporations.

In computing its income for tax purposes, the Investment Fund may generally deduct reasonable administrative and other expenses incurred to earn income, including interest on borrowed funds to the extent such funds are used to purchase securities for the Investment Fund's portfolio. The Investment Fund may not deduct interest on borrowed funds to the extent such funds are used to fund redemptions.

The Investment Fund may invest directly, or through one or more partnerships, in securities that are not denominated in Canadian dollars. Cost, proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars. The Investment Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

Generally, the Investment Fund will include gains and deduct losses in connection with its derivatives activities that are a substitute for direct investment on income account, and will recognize such gains or losses for tax purposes at the time they are realized by the Investment Fund. Where the Investment Fund uses derivatives to hedge foreign currency exposure with respect to securities held on capital account, and such derivatives are sufficiently linked with such securities, gains or losses realized on such derivatives will be

treated as capital gains or losses and are not “derivative forward agreements” as defined in the Tax Act.

The Investment Fund will derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed, in the case of income from property, 15% of such income and has not been deducted in computing the Investment Fund’s income, the Investment Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Investment Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Investment Fund, in respect of property income, exceeds 15% of the amount included in the Investment Fund’s income from such investments, such excess may generally be deducted by the Investment Fund in computing its income for the purposes of the Tax Act.

The Investment Fund elected in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property. Such an election will ensure that gains or losses realized by the Investment Fund on dispositions of Canadian securities will be taxed as capital gains or capital losses.

The Investment Fund generally intends to deduct in computing its income in each taxation year for purposes of the Tax Act the full amount available for deduction in each year and therefore, provided that the Investment Fund makes distributions in each year of its net income including net realized capital gains as described under the heading “Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year.

The Tax Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Investment Fund qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

## **Taxation of Holders**

A Holder will generally be required to include in the calculation of the Holder’s income for a taxation year under the Tax Act the net income and the net realized taxable capital gains of the Investment Fund paid or payable to the Holder in the year or deemed so paid or payable, whether received in cash or distributed in the form of or reinvested in additional Units, including in the case of a Holder who receives distributions in respect of management fee reductions, to the extent such distributions are paid out of net income and net capital gains of the Investment Fund. To the extent that distributions by the Investment Fund to a Holder in any taxation year exceed the net income including net realized capital gains of the Investment Fund for the year computed pursuant to the Tax Act, such distributions generally will not be included in the calculation of the Holder’s income for the year but will reduce the adjusted cost base of the Holder’s Units.

The Manager will designate to the extent permitted by the Tax Act the portion of the net income distributed to Holders as may reasonably be considered to consist of net realized taxable capital gains of the Investment Fund net of realized capital losses and net capital loss

carry forwards, and the taxable dividends (including eligible dividends) received, or deemed to be received, by the Investment Fund on shares of taxable Canadian corporations and foreign source income of the Investment Fund. Any such designated amount will be deemed for purposes of the Tax Act to be received or realized by Holders in the year as a taxable capital gain or taxable dividend from a taxable Canadian corporation or foreign source income, as the case may be, and qualifying foreign tax paid by the Investment Fund shall be treated as foreign tax paid by the Holder for the purpose of the foreign tax credit provisions of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules will apply, including an enhanced gross-up and dividend tax credit in respect of “eligible dividends” designated as such. In addition, provided that appropriate designations are made by the Manager in respect of foreign income or gains of the Investment Fund, for the purpose of computing any foreign tax credit available to a Holder, and subject to the rules in the Tax Act, the Holder will be deemed to have paid as tax to the government of a foreign country the Holder’s share of the taxes paid or considered to be paid by the Investment Fund to that country.

Any loss of the Investment Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as the loss of, a Holder.

Under the Tax Act, a trust is permitted to deduct in computing its income an amount which is less than the amount of its distributions. This will enable the Investment Fund to utilize, in a particular taxation year, losses from prior years without affecting the ability of the Investment Fund to distribute its income annually. The amount distributed to a Holder but not deducted by the Investment Fund will not be required to be included in the income of the Holder. However, unless such amount relates to the non-taxable portion of capital gains, the taxable portion of which has been designated and allocated to the Holder, the adjusted cost base of the Holder’s Units would be reduced by such amount.

The NAV per Unit will reflect any income and gains of the Investment Fund that have accrued or have been realized but not made payable at the time Units are acquired. Consequently, Holders that acquire additional Units may become taxable on their share of income and gains of the Investment Fund that accrued or were realized before the Units were acquired and not made payable at such time.

Upon the actual or deemed disposition of a Unit, including on a sale or redemption, a capital gain (or capital loss) will generally be realized by the Holder to the extent that the Holder’s proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Holder of the Unit and any reasonable costs of disposition. In general, the adjusted cost base of all Units of a class held by a Holder is the total amount paid for such Units (including brokerage commissions paid) less any non-taxable distributions (other than the non-taxable portion of capital gains, the taxable portion of which was designated by the Investment Fund) such as a return of capital, and less the adjusted cost base of any Units of that class previously redeemed by the Holder. The cost of Units acquired as a distribution of income or capital gains will generally be equal to the amount of the distribution. For the purpose of determining the adjusted cost base to a Holder when a Unit of a class is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units of that class owned by the Holder as capital property before that time.

A Holder will realize a capital gain in an amount equal to the value, if any, of the right granted by the Holder to the Manager to purchase a Unit tendered by the Holder for

redemption, if any. It is the opinion of the Manager that the value of such right is nil, although this is not binding on the CRA.

One-half of any capital gains (“taxable capital gains”) realized will be included in computing the income of a Holder and one-half of any capital loss realized may be deducted against taxable capital gains in accordance with the provisions of the Tax Act.

### **Eligibility for Investment**

Provided that the Investment Fund qualifies as a mutual fund trust within the meaning of the Tax Act at all relevant times, the Units will be qualified investments under the Tax Act for Registered Plans.

Notwithstanding the foregoing, if the Units are “prohibited investments” for the purposes of a tax-free savings account (or if the Units are “prohibited investments” for the purposes of a registered retirement savings plan or registered retirement income fund), a holder of a TFSA (or an annuitant of a registered retirement savings plan or registered retirement income fund) that governs a trust will be subject to penalty taxes as set out in the Tax Act.

### **RISK FACTORS**

An investment in Units of the Investment Fund will involve a high degree of risk. Prospective investors should carefully consider, among other factors, the matters described below, each of which could have an adverse effect on the value of the Units in the Investment Fund. As a result of these factors, as well as other risks inherent in any investment, there can be no assurance that the Investment Fund will meet its investment objectives or otherwise be able to successfully carry out its investment strategy. The Investment Fund’s returns may be unpredictable and an investor should only invest in the Investment Fund as part of an overall investment strategy. It may be several years before Underlying Investments of the Investment Fund are realized and therefore an investment in the Investment Fund may be appropriate only for investors who are prepared to hold Units for an extended period of time. There is no assurance that the Investment Fund will make any distributions or earn any positive return, in the short-term or the long-term. Prospective investors should carefully consider the following risk factors before purchasing Units. Based on, among others, the factors described below, the possibility of partial or total loss of capital will exist and prospective investors should not subscribe unless they can readily bear the consequences of such loss.

#### ***Nature of Investment***

An investment in the Investment Fund requires a long-term commitment with no certainty of return. Investments of the Investment Fund may not generate current income. Therefore, the return of capital and the realization of gains, if any, from an investment generally will occur upon the partial or complete realization or disposition of such investment. While an investment may be realized or disposed of at any time, it is generally expected that the ultimate realization or disposition of most of the Investment Fund’s investments will not occur for a number of years after such investments are made. The Investment Fund generally will not be able to sell securities of a portfolio company or investment publicly unless such company or investment has gone public and such sale is registered under applicable securities laws or unless an exemption from such registration requirements is available. In addition, in some cases, the Investment Fund may be prohibited

or limited by contract from selling certain portfolio company securities for a period of time and, as a result, may not be permitted to sell an investment at a time it might otherwise desire to do so.

### ***Lack of Liquidity***

There is currently no market through which the Units may be sold and purchasers may not be able to sell the Units until such time as a secondary trading market develops. There can be no assurance that a secondary trading market for the Units will develop or if it develops, be sustained.

### ***Past Results***

The Investment Fund was formed in 2014 and has limited historical financial statements or other meaningful operating or financial data by which its performance may be measured. While the Manager has experience managing private equity investments, and has invested for a number of years in a manner similar to that contemplated by the Investment Fund, past results can be no assurance of future results or profitability.

### ***Availability of Investments***

There is no guarantee that suitable investment opportunities for the Investment Fund's capital will be found, that investments on favourable terms can be negotiated or that the Investment Fund will be able to realize on the value of its Underlying Investments or the value of the investments made by the Underlying Funds. Among other factors, competition for suitable portfolio investments from companies, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant recent growth in the number of firms organized to make private equity investments throughout the world, which may result in increased competition in obtaining suitable investments.

### ***Reliance on the Manager***

The Investment Fund is managed exclusively by the Manager, with all investment decisions being made by the Manager. Unitholders will not be able to make investment or other decisions regarding the Investment Fund. The Investment Fund's ability to achieve its investment objective will depend on the ability of the Manager to effectively implement the Investment Fund's investment strategy. The success of the Investment Fund depends in substantial part upon the skill and expertise of the Manager's officers and employees and the other individuals employed to assist them. There can be no assurance that the officers and employees will continue to be members of or employed by the Manager. The loss of service to the Investment Fund of one or more officers, employees, or members of the Manager could have a material adverse effect on the success of the Investment Fund.

### ***Allocation of Personnel***

The Manager's officers and employees will not be able to devote all of their business time and attention to the Investment Fund as they will continue to be involved in the operations of the Manager's other managed funds. The Manager's officers and employees will devote such time and attention to the business of the Investment Fund as they reasonably consider necessary to carry out the operations of the Investment Fund effectively.

### ***Management of Investment Fund's Capital***

The Manager employs the commonly used private equity investment strategy of over-committing the Investment Fund's capital to Underlying Investments in an effort to ensure that the Investment Fund's capital is fully or substantially invested in Underlying Investments on a continuous basis. This over-commitment strategy is utilized because Underlying Funds generally will not draw down all of the capital commitments made by the Investment Fund before the Underlying Funds start returning capital to the Investment Fund. If the Manager is unable to maintain full or substantial investment of the Investment Fund's capital in Underlying Investments, the investment returns realized by the Investment Fund may be lower than they would be otherwise. However, use of the over-commitment strategy could also result in the Investment Fund having to borrow to meet its capital commitments in certain circumstances or defaulting on its capital commitment obligations, either of which could have an adverse effect on the Investment Fund's performance.

### ***Exchange Rate Fluctuations***

The functional currency of the Investment Fund will be Canadian dollars. A substantial portion of the Investment Fund's assets may be invested in non-Canadian private equity funds or funds of funds and the income received by the Investment Fund will be denominated in the local currency of investment, whereas a Unitholder's investment in and distributions from the Investment Fund will be made in Canadian dollars. Therefore, the amount of the distributions made by the Investment Fund, as well as the dollar-denominated value of the Investment Fund's portfolio investments and the NAV of the Investment Fund, may be adversely affected by changes in the value of such local currency relative to the Canadian dollar. The value of Units or the value of the investments made by the Investment Fund may also fluctuate as a result of the impact of economic and political changes on currency exchange rates.

### ***Not a Public Mutual Fund***

The Investment Fund is not a reporting issuer and is not subject to the continuous disclosure and other obligations applicable to public investment funds (although it has voluntarily agreed to comply with certain of those requirements as they existed as of the date of the Declaration of Trust).

### ***Currency Hedging***

While the Manager has and may continue to pursue hedging strategies in order to mitigate the risk of exchange rate fluctuations, there is no guarantee that such strategies will be successful. The Investment Fund and Underlying Funds may enter into swaps, forward contracts and other arrangements to seek to preserve a return on a particular investment or to seek to protect against currency fluctuations. Such transactions have special risks associated with them, including the possible default by the counterparty to the transaction and the illiquidity of the instrument acquired by the Investment Fund or an Underlying Fund relating thereto. Although such transactions may reduce the Investment Fund's or the Underlying Fund's exposure to currency fluctuations or decreases in the value of investments due to currency fluctuations, the costs associated with these arrangements may reduce the returns that the Investment Fund or an Underlying Fund would have otherwise achieved if it had not entered into these transactions.

### ***Limited Information Regarding the Portfolio Companies***

An Underlying Fund's portfolio may consist primarily of securities issued by privately held portfolio companies. There is generally little or no publicly available information about such companies, and the Underlying Funds must rely on the diligence of their own employees and the consultants they hire to obtain the information necessary for their decision to invest in them. There can be no assurance that the diligence efforts of the Underlying Funds will uncover all material information about the privately held business necessary for the Underlying Funds to make a fully informed investment decision.

### ***Competitive Market for Investment Opportunities***

The Underlying Funds compete with a large number of other private equity funds, mezzanine funds, investment banks and other equity and non-equity based investment funds, and other sources of financing, including traditional financial services companies such as commercial banks. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Underlying Funds. In addition, certain competitors of the Underlying Funds may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. There is no assurance that the competitive pressures faced by the Underlying Funds will not have a material adverse effect on their activities, financial condition and results of operations. Also, as a result of this competition, the Underlying Funds may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that they will be able to identify and make investments. In addition to third parties, the Underlying Funds may compete against each other for investment opportunities.

### ***Accounting and Disclosure Standards; Limited Information***

The Underlying Funds may have or make investments in any part of the world, including in countries where accounting, auditing, financial and other reporting standards, practices and disclosure requirements are not equivalent to those in Canada, the United States and Europe and may differ in fundamental ways. Accordingly, information available to the Underlying Funds and, consequently, to the Investment Fund, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries.

### ***Illiquidity of Investments***

Most, if not all, of the investments of the Underlying Funds will be highly illiquid, and there can be no assurance that any Underlying Fund will be able to realize on its investments in a timely manner or at all, which may also make the Underlying Investments difficult to value. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on their resale. In addition, private equity investments by their nature are often difficult or time consuming to liquidate.

### ***Future Trading***

Units are issued pursuant to exemptions from the prospectus requirement of applicable securities laws. Future trading in Units will need to be made in the exempt market

as the Investment Fund is not a reporting issuer. However, redemption of Units by Unitholders will also be exempt from the prospectus requirements of applicable securities laws.

### ***Changes in Laws or Regulations***

Additional laws may apply to the Underlying Funds and the portfolio companies that they hold. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on an Underlying Fund's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on the business, investments and results of operations of the Underlying Funds. The Investment Fund must comply with various legal requirements, including requirements imposed by Canadian, U.S. and foreign anti-money laundering laws, securities laws, commodities laws, tax laws and pension laws. Should any of those laws change over the term of the Investment Fund, the legal requirements to which the Investment Fund and the Unitholders may be subject could differ materially from current requirements. Furthermore, the Canadian and U.S. securities laws applicable to the Units, the Investment Fund and the Manager are constantly under review by persons involved in the legislative process resulting in revisions of regulations and revised interpretations of established concepts as well as statutory changes. These laws may be modified by legislative, judicial or administrative action at any time. These revisions to the Canadian and U.S. securities laws and interpretations thereof and potential future revisions and interpretations could adversely affect the Units, the Investment Fund or the Manager and, in that regard, could require modifications to the Investment Fund's intended investment program or increase compliance costs of operating the Investment Fund. Other jurisdictions, including Canada, are similarly reviewing their respective laws, regulations and policies with respect to private investment funds and their investment advisers and any changes thereto may have an adverse effect on the Units, the Investment Fund or the Manager.

### ***Reliance upon Borrowed Funds***

Because private equity investments rely on the use of leverage, the ability to achieve attractive rates of return on private equity investments will depend on the Underlying Funds' continued ability to access sources of debt financing at attractive rates. An increase in either the general levels of interest rates or in the risk spread demanded by lenders would make it more expensive to finance private equity investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the Underlying Funds may not be able to access those markets at attractive rates, or at all, when completing a private equity investment. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the Underlying Funds.

### ***Use of Leverage***

The Manager has the discretion to use debt to fund obligations of the Investment Fund. While there are limitations on the amount of debt that may be incurred by the Investment Fund, the use of financial leverage adds financial risk to any investment. Underlying Funds may invest in highly leveraged companies which involves a high degree of risk. Some of the

Underlying Funds' investments in portfolio companies may involve leverage, which in turn will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deteriorations in the condition of the portfolio company or its industry. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Underlying Fund may suffer a partial or total loss of capital invested in the portfolio company that, depending upon the size of the Underlying Fund's investments, could adversely affect the return of capital to the Investment Fund. The Investment Fund may also make direct investments in such companies and the Investment Fund would be exposed to similar risks. In addition, the Investment Fund may use leverage in making Underlying Investments which could expose the Investment Fund to direct exposure to the risks associated with leveraged investing.

### ***Investments in Less Established Companies***

The Underlying Investments will include Underlying Funds that may invest in the securities of less established companies and may also include direct investments in such companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies.

### ***Investment in Restructurings of Distressed Companies***

The Underlying Funds may make investments in restructurings of distressed or non-performing companies or assets which involve a high degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome.

### ***Dependence on Key Management Personnel***

The Investment Fund's investment strategy is primarily focused on investing in underlying private equity funds managed by other fund managers. As such, the performance of the Investment Fund's investments will depend upon the ability of the Underlying Fund managers to source, select, complete and realize appropriate investments. In the case of the Investment Fund's international investment portfolio, reliance will be placed on fund managers managing private equity funds and funds of funds in which the Investment Fund invests. The performance of these investments will in turn depend upon the managers of the underlying private equity funds and portfolio companies in which they invest.

### ***Available Opportunities and Competitive Marketplace***

The success of the Investment Fund depends on the availability of appropriate investment opportunities and the ability of the Manager and Underlying Funds to identify, select, close and exit those investments. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable the Investment Fund to invest all of its committed capital or that such investment opportunities will lead to completed investments by the Investment Fund. The Investment Fund and Underlying Funds will be competing with other private equity funds, as well as institutional investors and, potentially, strategic investors, for prospective investments. As a result of this competition, there can be no assurance that the Investment Fund or Underlying Funds will be able to locate suitable investment opportunities, acquire such investments for an appropriate level of consideration, achieve its targeted rate of return or fully invest its committed capital.

### ***Bridge Financing***

The Investment Fund may provide bridge financing in connection with one or more of its investments. The Investment Fund will bear the risk of any changes in capital markets that may adversely affect the ability of a portfolio company to refinance any bridge investments. If such portfolio company were unable to complete a refinancing, the Investment Fund could have a long-term investment in a junior debt security or a junior debt security that is convertible into equity.

### ***Risks upon Dispositions of Investments***

In connection with the disposition of an investment, the Investment Fund may be required to make representations about the business and financial affairs of such investment typical of those made in connection with the sale of a business. It may also be required to indemnify the purchasers of such investment to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities of the Investment Fund, which might ultimately have to be funded by the Unitholders to the extent that such contingent liabilities exceed the reserves and other assets of the Investment Fund and such Unitholders have received prior distributions from the Investment Fund.

### ***Distributions in Kind***

Although, under normal circumstances, the Investment Fund intends to make distributions in cash or in Units, it is possible that under certain circumstances (including the liquidation of the Investment Fund) distributions may be made in kind and could consist of securities for which there is no readily available public market. Such securities may not be qualified investments for Registered Plans.

### ***Recourse to the Investment Fund's Assets***

The Investment Fund's assets, including any investments made by the Investment Fund and any capital held by the Investment Fund, are available to satisfy all liabilities and other obligations of the Investment Fund. If the Investment Fund itself becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Investment Fund's assets generally and not be limited to any particular asset, such as the investment giving rise to the liability.

### ***Indemnification***

The Manager and its respective officers, directors, agents, shareholders, partners and employees and affiliates will be entitled to indemnification from the Investment Fund, except in certain circumstances as set out in the Management Agreement. The assets of the Investment Fund will be available to satisfy these indemnification obligations, and Unitholders may be required to return distributions to satisfy such obligations. Such obligations will survive the dissolution of the Investment Fund.

### ***Risk Arising from Provision of Managerial Assistance***

The Investment Fund will sometimes designate Kensington officers, employees or representatives to serve on the boards of directors of portfolio companies. The designation of directors and other measures contemplated could expose the assets of the Investment Fund

to claims by a portfolio company, its security holders and its creditors. While The Manager's officers and employees intend to manage the Investment Fund in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded. In general, the Investment Fund will indemnify the Manager and Kensington's officers, employees or representatives from such claims.

### ***Environmental Liabilities***

The Investment Fund and Underlying Funds could face substantial risk of loss from environmental claims arising from investments made with undisclosed or unknown environmental problems or inadequate reserves or insurance for previously identified matters, as well as from occupational safety issues and concerns. Under certain circumstances, U.S. courts have held that a parent company is responsible for the environmental clean-up obligations of its subsidiary imposed by applicable laws. In the event that the Investment Fund or an Underlying Fund is the parent of a portfolio company with such obligations, a U.S. court or a court of any other applicable jurisdiction might find that the Investment Fund or an Underlying Fund is liable for such obligations. Environmental claims with respect to a specific investment may exceed the value of such investment.

### ***Effects of Bankruptcy***

The Investment Fund and Underlying Funds may make investments in portfolio companies that are or may become the subject of voluntary or involuntary bankruptcy or similar proceedings under applicable laws. Certain risks that are faced in bankruptcy or similar proceedings that must be factored into the investment decision include, for example, the potential total loss of any such investment. Upon confirmation of a plan of reorganization under applicable bankruptcy laws, or as a result of a liquidation proceeding, the Investment Fund or Underlying Funds could suffer a loss of all or a part of the value of its investment in a portfolio company. A bankruptcy filing or similar proceeding may adversely and permanently affect a portfolio company. The portfolio company could lose market position and key employees, and the liquidation value of the portfolio company may not equal the liquidation value that was believed to exist prior to the making of the investment by the Investment Fund or an Underlying Fund.

### ***Investments in Middle-Market Companies***

A component of the Investment Fund's and Underlying Funds' investment strategy is to invest in mid-market companies. While investments in mid-market companies may present greater opportunities for growth, such investments may also entail larger risks than are customarily associated with investments in large companies. Medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on smaller management groups. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Further, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small and medium-sized companies, could make it difficult for the Investment Fund and Underlying Funds to react quickly to negative economic or political developments.

### ***Minority Investments***

The Investment Fund and Underlying Funds may make minority equity investments in entities where the Investment Fund and Underlying Funds do not participate in the management or otherwise control the business or affairs of such entities. The Manager will monitor the performance of each investment, however, it will be primarily the responsibility of the management of the portfolio company or manager of the Underlying Fund to operate such portfolio company or portfolio fund on a day-to-day basis. Although it is the intent of the Investment Fund to invest in portfolio companies with strong operating management that has a successful track record, there can be no assurance that a portfolio company management team will be able to operate the portfolio company successfully.

### ***Need for Follow-On Investments***

Following its initial investment in a given portfolio company, the Investment Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Investment Fund will make follow-on investments or that the Investment Fund will have sufficient funds to make all or any of such investments. Any decision by the Investment Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Investment Fund to increase its participation in a successful operation.

### ***Toehold Investments***

The Investment Fund or Underlying Funds may accumulate minority positions in the outstanding debt securities or in voting stock, or securities convertible into the voting stock, of potential portfolio companies. While the Manager will seek to achieve such accumulation through open market purchases, registered tender offers, negotiated transactions or private placements, the Manager may be unable to accumulate a sufficiently large position in a portfolio company to execute its strategy. In such circumstances, the Investment Fund or Underlying Funds may dispose of their position in the portfolio company within a short time of acquiring it; there can be no assurance that the price at which the Investment Fund or Underlying Funds can sell such securities will not have declined since the time of acquisition. Moreover, this may be exacerbated by the fact that securities of the companies that the Investment Fund or Underlying Funds may target may be thinly traded and that the Investment Fund's or Underlying Funds' positions may nevertheless have been substantial, although not controlling, and its disposal may depress the market price for such securities.

### ***Investments in Public Companies***

The Investment Fund or Underlying Funds may invest in public companies or take private portfolio companies public. Investments in public companies may subject the Investment Fund or Underlying Funds to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Investment Fund or Underlying Funds to dispose of such securities at certain times (including due to the possession by the Investment Fund or Underlying Funds of material non-public information), increased likelihood of shareholder litigation against such companies' board members, which may

include members of the Manager, regulatory action by the domestic or foreign securities regulators and increased costs associated with each of the aforementioned risks.

### ***Unitholders Will Not Participate in Management of the Investment Fund***

Unitholders in the Investment Fund will not have the right to participate in the management of the Investment Fund or in decisions made by the Manager of the Investment Fund on its behalf. As a result, Unitholders will have almost no control over their investments in the Investment Fund or their prospects with respect thereto.

### ***Legal, Tax and Regulatory Risks***

The legal, tax and regulatory changes in Canada or in other countries where the Investment Fund has direct or indirect investments could have an adverse effect on the Investment Fund, its distributions or holders of Units. The legal, tax and regulatory considerations in Canada, and the legal, tax and regulatory considerations in other jurisdictions affecting the ability of the Investment Fund to achieve its investment objective are complex and subject to change, which may affect the performance of the Investment Fund. In addition, other legal, tax and regulatory changes could occur during the term of the Investment Fund that may adversely affect the Investment Fund or the Unitholders. For example, from time to time, the market for private investment fund transactions has been adversely affected by a decrease in the availability of senior and subordinated financing for transactions, in part in response to regulatory pressures on providers of financing to reduce or eliminate their exposure to such transactions. In addition, private investment funds and their investment advisers may be subject to increased regulation, taxation or other scrutiny by regulators or other market participants. There can be no assurance as to whether any such scrutiny or initiatives will have an adverse impact on the private investment fund industry generally or on the Investment Fund or the Manager, including the ability of the Investment Fund to take the measures necessary to effect operating improvements or restructurings of portfolio companies or otherwise achieve its objectives. Investors should seek independent legal and tax advice regarding the legal and tax implications of investing in the Investment Fund.

### ***Special Risks Associated with Offshore Investments***

The Investment Fund may invest a portion of its commitments in portfolio companies or Underlying Funds that are headquartered and have their principal operations outside the United States or Canada. These investments may involve special risks not typically associated with investments in securities of U.S. or Canadian issuers, including (i) economic and political factors, such as the risk of expropriation, restrictions on repatriation of profits, and political and social instability, (ii) differences between U.S. or Canadian and foreign securities markets, including the absence of uniform accounting, auditing, and financial reporting standards in foreign markets, the relatively greater price volatility and illiquidity of foreign securities markets, (iii) currency exchange risks, including the cost of converting investment cash flows from one currency into another, and (iv) tax-related issues, including the possibility of withholding taxes, confiscatory foreign taxes, and double taxation of income earned overseas.

### ***Difficulty in Valuing Investment Portfolio***

The Manager will value the investments of the Investment Fund from time to time at their fair market values and in some cases will rely on the valuations of the general partners of its Underlying Funds. Assets that are publicly traded securities for which market prices are readily available will be valued based on their trading prices, however, for almost every investment, there will likely be no public market for its securities. Thus, the valuation of investments inherently is highly subjective and imprecise and requires the use of techniques that are costly and time consuming and ultimately provide no more than an estimate of value. In establishing the value of the Investment Fund's investments, the Manager may also consult with accounting firms, investment banks and other third parties when needed, to assist with the valuation of the Investment Fund's investments. The value set by the Manager may not reflect the price at which the Investment Fund could dispose of its interests in a particular investment at any given time.

### ***General Economic Conditions***

The Underlying Funds may make investments in companies that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and may be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of an Underlying Fund's investments to decline. General economic conditions may affect the Investment Fund's and Underlying Funds' activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Investment Fund or considered for prospective investment. U.S. and international market and economic conditions have been, and continue to be, disrupted and volatile, and in the past few years the volatility has reached unprecedented levels. The very large fiscal imbalances in the U.S. and many European countries, as well as concerns regarding the solvency of major banks in these regions, continues to add significant risk to the global economy, including currency risk. Global concerns about future economic growth, rising unemployment, lower consumer sentiment, market instability, inflationary pressures, fluctuating oil prices, the adverse developments in the credit markets and mixed corporate earnings present significant challenges to the national and global economies and equity markets presently and in the future. Any of the foregoing could have a material adverse impact on the Investment Fund and Underlying Funds.

### ***Management Fee; Fees for Services***

The Investment Fund will pay the management fee to the Manager of the Investment Fund and will bear all expenses related to its operations. Such fees and expenses are expected to reduce the actual returns to Unitholders. Most of the fees and expenses will be paid regardless of whether the Investment Fund produces positive investment returns. If the Investment Fund does not produce significant positive investment returns, these fees and expenses could reduce the amount of the investment recovered by a Unitholder to an amount less than the amount invested in the Investment Fund by such Unitholder. The Manager and its affiliates, officers, or employees may receive customary break-up and topping fees, commitment fees, monitoring and directors' fees and transaction, financing, divestment and other similar fees from portfolio companies as compensation for financial advisory and similar

services (“Other Fees”). The management fee provisions and the arrangements relating to the allocation of Other Fees and certain fee offsets among the Manager and the Investment Fund may also create an incentive to seek out investments which would provide the opportunity to earn such Other Fees and to make investments earlier during the term of the Investment Fund than would be the case in the absence of such arrangements.

### ***Manager Performance Fee***

The existence of the Manager’s Performance Fee may create an incentive for the Manager to make riskier or more speculative investments on behalf of the Investment Fund than would be the case in the absence of these arrangements.

### ***Diverse Investor Group***

The investors may have conflicting investment, tax and other interests with respect to their investments in the Investment Fund or another Kensington managed investment vehicle. The conflicting interests of individual investors and of the different investment vehicles may relate to or arise from, among other things, the nature of investments made by the Investment Fund, the structuring or the acquisition of investments and the structure, timing or manner of disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Manager, including with respect to the nature or structuring of investments or dispositions, that may be more beneficial for one investor or for one Kensington managed investment vehicle than for another investor or the Investment Fund, especially with respect to investors’ individual tax situations and tax treatment. In selecting and structuring investments appropriate for the Investment Fund, the Manager will consider the investment and tax objectives of the Investment Fund and its investors as a whole, not the investment, tax or other objectives of any investor individually. In addition, it is anticipated that investors or their affiliates, who may be companies with significant business interests within the Investment Fund’s targeted industry sectors or insurance and other risk management companies, financial institutions and governmental or other pension plans, may have a direct or indirect interest in one or more of the investments of the Investment Fund. This could result in the Investment Fund becoming involved in disputes and litigation with one or more of its investors or affiliates.

### ***Co-Investment Opportunities***

The Manager or any of its affiliates may organize, make an investment in, or otherwise participate in, any vehicle formed to make co-investments with the Investment Fund.

### ***Operating Company Board Participation***

It is expected that members of the Manager will serve as directors of certain of the portfolio companies and, as such, may have duties to persons other than the Investment Fund. Although such positions in certain circumstances may be important to the Investment Fund’s investment strategy and may enhance the Manager’s ability to manage investments, they may also have the effect of impairing the Investment Fund’s ability to sell the related securities when, and upon the terms, it may otherwise desire, and may subject the Manager and the Investment Fund to claims they would not otherwise be subject to as an investor, including claims of breach of duty of loyalty, securities claims and other director-related claims. In general, the Investment Fund will indemnify the Manager and its officers, employees and representatives from such claims.

### ***Advisory Board***

Although the Advisory Board is intended to act as the representative of the Unitholders in respect of certain matters, the Advisory Board may not have the same interests as all investors. Furthermore, the Advisory Board cannot be expected to be an expert in all matters presented to it, and certain of its determinations may, in fact, adversely affect the performance of the Investment Fund.

### ***No Separate Counsel***

The Manager will engage legal counsel in connection with the Investment Fund and the issuance of interests therein. The Manager's counsel will not represent, and will not be deemed to owe any obligations or duties to, any prospective investor or investors in connection with their investments in the Investment Fund and the transactions contemplated hereby, whether or not such counsel have in the past represented or is currently representing such prospective investor with respect to other matters. Prospective investors are strongly urged to seek independent legal counsel with respect to an investment in the Investment Fund.

### ***Limited Remedies Against the Manager***

The Management Agreement includes provisions for exculpation and indemnification of the Manager and its respective officers, directors, agents, shareholders, partners and employees and affiliates. Therefore, investors may have more limited rights of action than they would have absent such limitation.

### ***Use of Placement Agents***

The Manager may engage a placement agent for the Investment Fund (the "Placement Agent"). The Placement Agent will act for the Investment Fund and the Manager, and not as an investment adviser to prospective investors in connection with the offering of Units in the Investment Fund. Prospective investors must independently evaluate the offering and make their own investment decisions. In making those decisions, prospective investors should be aware that a Placement Agent may be paid a placement fee based upon the amount of capital commitments to the Investment Fund by investors that such placement agent introduces to the Manager or the Investment Fund.

### ***Cash Management Policy***

Under the Investment Fund's cash management policy, the Investment Fund invests in Liquid Investments which are expected to generate returns that are substantially lower than the returns the Investment Fund anticipates receiving from Underlying Investments. There may also be a high degree of variability between the returns generated by different types of Liquid Investments.

### ***Taxation of the Investment Fund and Unitholders***

There can be no assurance that Canadian federal income tax laws respecting the treatment of trusts or mutual fund trusts will not be changed in a manner that adversely affects the Investment Fund or the Unitholders. If the Investment Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under the

heading “Income Tax Considerations” would be materially and adversely different in certain respects.

Under the Tax Act, certain trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed or traded on a stock exchange or other public market and that hold one or more “non-portfolio properties” (as defined) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by taxable Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation. If the Investment Fund were to qualify as a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects.

Certain issuers of securities included in the portfolio of the Investment Fund may be SIFT trusts or SIFT partnerships. In such event, the after-tax returns realized by Unitholders may be reduced to the extent that the Investment Fund receives distributions of income or capital gains from such SIFT trusts or SIFT partnerships.

The Investment Fund may use derivative instruments in order to mitigate the risk of exchange rate fluctuations with respect to Underlying Investments that are denominated in a non-Canadian currency. Gains or losses realized on derivatives by virtue of the fluctuation of foreign currencies against the Canadian dollar will, where such derivatives and derivative forward agreements are sufficiently linked with, and hedge currency exposure in respect of, Underlying Investments held on capital account, be treated and reported for purposes of the Tax Act on capital account and designations will be made by the Investment Fund and reported to Unitholders on this basis. If any dispositions or transactions of the Investment Fund in respect of derivatives are reported on capital account but are subsequently determined to be on income account, the net income of the Investment Fund for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the Investment Fund being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce NAV, NAV per Unit and/or the trading prices of the Units.

The Investment Fund may generally be subject to section 94.1 of the Tax Act if it holds or has an interest in an “offshore investment fund property”. If applicable, these rules can result in the Investment Fund including an amount in its income based on the cost of the Investment Fund’s offshore investment fund property multiplied by a prescribed interest rate. These rules would generally apply in a taxation year to the Investment Fund if it could reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Investment Fund acquiring, holding or having the investment in the entity that is an offshore investment fund property, was to derive a benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom, for any particular year were significantly less than the tax that would have been applicable if such income, profits and gains had been earned directly by the Investment Fund. Any such amounts that may be required to be included in computing the Investment Fund’s income in excess of expenses deductible by the Investment Fund will be distributed to Unitholders and paid in Units. Income distributed in this manner will be included in the

Unitholder's income under the Tax Act and taxes may be payable in respect of such amounts notwithstanding that the Investment Fund may not have made any cash distributions during the relevant period. There can be no assurance that the Investment Fund will make cash distributions in a given year.

### ***Fluctuation in Net Asset Value***

The NAV per Unit will vary based on, among other things, the value of the Investment Fund's Liquid Investments, the value of the securities of the Underlying Funds and other Underlying Investments, the performance of the capital markets and commodities markets generally, foreign exchange rates and interest rates. Fluctuations in the values of the Investment Fund's investments may occur for a number of reasons beyond the control of the Manager. A substantial portion of the investments made by the Investment Fund, including investments that are made through the Underlying Funds, will be in the form of investments for which no published market exists. The Manager will be required to make good faith determinations as to the fair value of these investments on a quarterly basis in connection with the calculation of NAV and the preparation of the Investment Fund's financial statements. In many cases, the Manager will be basing its determinations largely on fair value determinations made by the managers of the Underlying Funds. The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold. As the price paid to redeeming Unitholders on a redemption is based on NAV per Unit, any uncertainty in the calculation of NAV may adversely affect such redeeming Unitholders or non-redeeming Unitholders.

### ***Trading Price of Units***

Units may trade in the market at a premium or a discount to the NAV per Unit of a class and there can be no assurance that the Units will trade at a price reflecting the NAV per Unit of a class.

### ***Potential Conflicts of Interest***

The Manager and its respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of, or may render advice to, the Kensington Private Funds and to any other account or fund that invests primarily in private equity fund securities. The Manager may have a conflict of interest in rendering advice to the Investment Fund because the benefit the Manager and its managing directors may receive from managing Kensington Private Funds or some other accounts may exceed the benefit from managing the Investment Fund's account, and, therefore, may provide an incentive to favour such other accounts. The Manager intends that any other such private equity investment mandates will be carried out in a manner that either enhances or is neutral to the investment performance of the Investment Fund. See "Conflicts of Interest".

Allocation of investment opportunities between the Investment Fund and a Kensington Private Fund and among different pools of capital managed by the Manager will be reviewed and approved by the Independent Review Committee, to ensure that the investment objective of the Investment Fund is observed, and that the Investment Fund is not adversely affected by other private equity investment activities of the Manager.

Although none of the directors or officers of the Manager will devote his or her full time to the activities and affairs of the Investment Fund, each will devote as much time as is necessary to the management of the activities and affairs of the Investment Fund. Although officers, directors and professional staff of the Manager will devote as much time to the Investment Fund as the Manager deems appropriate to perform their respective duties in accordance with the Management Agreement, the Manager's investment personnel may have conflicts in allocating its time and services among the Investment Fund's investment portfolio and the other investment portfolios managed by the Manager.

### ***Status of the Investment Fund for Securities Law Purposes***

The Investment Fund is not a "mutual fund" for securities law purposes or a reporting issuer. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and certain of the restrictions imposed on mutual funds under Canadian securities laws do not apply to the Investment Fund.

### **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of Units:

- (a) the Declaration of Trust dated September 17, 2014 described under "The Investment Fund - Name and Formation"; and
- (b) the Management Agreement described under "Management of the Investment Fund - The Manager - Management Agreement".

### **CUSTODIAN**

CIBC Mellon Trust Company (the "Custodian") provides custodial services to the Investment Fund and holds the account to which the Investment Fund transfers and deposits its earnings. The Custodian's offices are located at 320 Bay Street, Toronto, Ontario. The Custodian has appointed CIBC Mellon Trust Company as its administrative agent to provide administrative services in connection with the custodial arrangements.

### **REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent of the Investment Fund is SGGG Fund Services Inc. The principal office of the registrar and the place where the securities register for the Units is kept is located at 60 Yonge Street, Suite 1200, Toronto, Ontario M5E 1H5.

### **AUDITOR**

The auditors of the Investment Fund are Deloitte LLP. The principal office of the auditors is 181 Bay Street, Suite 1400, Toronto, Ontario M5J 2V1.

## ADDITIONAL INFORMATION

Additional information about the Investment Fund is available in the Investment Fund's management reports of fund performance and financial statements. Copies of these documents are available at no cost by calling (416) 362-9000 or toll-free at (855) 362 9329 or online at the Manager's website at [www.kcpl.ca](http://www.kcpl.ca).

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