



KENSINGTON PRIVATE EQUITY FUND

MANAGEMENT REPORT ON FUND PERFORMANCE
AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED
SEPTEMBER 30, 2014

November 28, 2014

This interim management report of the performance of the Kensington Private Equity Fund (the "Investment Fund") contains financial highlights as well as the Investment Fund's financial statements for the period ended September 30, 2014. You may obtain a copy of the Investment Fund's proxy voting policies and procedures, proxy voting disclosure record or portfolio disclosure at your request, and at no cost, by calling 416-362-9000 or toll-free at 1-855-362-9329, by writing to us at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6, or by visiting our website at www.kcpl.ca.

KENSINGTON PRIVATE EQUITY FUND

MANAGEMENT REPORT ON FUND PERFORMANCE

Kensington Global Private Equity Fund (“Global Fund”) was created in 2007 to provide investors with access to a diversified portfolio of private equity investments, including private equity funds and direct investments in private companies, which are not available in the public market. In the private market, 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.

Kensington Private Equity Fund (“Investment Fund”) is an investment trust established under the laws of the Province of Ontario. The Investment Fund is the successor to Global Fund that transitioned into the Investment Fund by a transfer of assets and termination of Global Fund that occurred on September 17, 2014. Accordingly, the historical results and other characteristics of Global Fund are presented in this report as part of the historical results of the Investment Fund.

This Management Report on Financial Performance (“MRFP”) is being published for investors in the Investment Fund in accordance with the requirements of its governing Declaration of Trust. In connection with the transition from Global Fund to the Investment Fund, the Investment Fund committed to its investors that it would continue to comply with the public disclosure requirements which had previously governed Global Fund as a reporting issuer on substantially the same basis, including through the publication of this MRFP.

Kensington Capital Advisors Inc. (the “Manager” and “Trustee”) 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 Manager provides investment advisory and portfolio management services to the Investment Fund and is responsible for making all investment decisions.

RECENT DEVELOPMENTS

Performance of the Investment Fund

The strategy for the Investment Fund is to create a hybrid private equity portfolio consisting of primary funds for diversification and risk management, with direct investments and secondary investments to drive strong returns. This carefully managed hybrid approach has led to the following performance highlights during the six month period from April 1, 2014 to September 30, 2014:

- The Net Asset Value (“NAV”) of the Investment Fund increased by approximately \$4 million. This represents an increase of 5.7% during the period, as determined on a total return basis.
- The Investment Fund continued to achieve realized portfolio gains on Underlying Investments, including through:
 - The sale of its direct investment in Protenergy Natural Foods Corporation to TreeHouse Foods, Inc. in May 2014; and
 - Realizing a steady stream of gains from the sale (or partial sale) of several investments held in Underlying Funds; and
 - The secondary sales of HarbourVest Partners VIII-Venture Fund L.P. and HarbourVest Partners VIII-Buyout Fund L.P. in June 2014.
- The Investment Fund completed three new Direct Investments - Blinq Networks Inc., Vision Critical Communications, Inc. and Breen Color Concentrates, Inc.

On October 24, 2014, the Investment Fund distributed \$7.4 million to Unitholders, representing \$2.26 per Unit. This is a record high distribution of net realized gains from the sale of private equity investments, reflecting the strong performance of the Investment Fund in the preceding 12-month period, including an increase in the NAV of the Investment Fund of 23.9%. As the value of the Investment Fund grows and gains are realized, the Manager must determine how much of these net realized gains to distribute to investors and how much to re-

invest into new opportunities. The Investment Fund currently holds undistributed net realized gains of \$3.6 million, or approximately \$1.07 per Unit, as of November 15, 2014. At the discretion of the Manager, these realized gains could be re-invested into new opportunities or distributed to investors in the future.

Overview of the Investment Environment

In directing the investment program of the Investment Fund, the Manager must consider the context of the underlying economic environment alongside the specific conditions applicable to the private equity markets. Within these markets, the Manager focuses on particular subsectors and geographic regions while paying close attention to opportunities for new investments and the sale of mature portfolio companies.

Economic Environment

Investors have continued to face significant uncertainty through the period, an environment that continues today. Growing geopolitical tensions in the Ukraine, and in the Middle East, have led to military response by major western countries, including Canada. The recent drop in oil prices has led to significant uncertainty in those sectors of the economy that depend on the oil and gas industry, particularly in Western Canada. North American stock markets have become increasingly volatile as they continue to achieve strong gains, while fixed income continues to deliver historically low returns. Alternative investments, including private equity, have provided significant diversification for portfolios seeking steadier long-term gains. The relative strength that Canada has enjoyed from the significant turmoil in other regions cannot be expected to last forever. We anticipate some negative impact on the Canadian economy from the growing risks in other regions.

Current Private Equity Market Conditions

In reviewing private equity markets, the Manager believes the strongest current investment opportunities reside in the mid-market buyout, growth equity and venture capital sectors in Canada and the United States. Historically, low interest rates and a growing economy (albeit a slowly growing one) combine to create a positive environment for new buyouts, while the relentless expansion of mobile communication, content and commerce has created the kind of dynamic venture capital cycle that has not been seen for many years, with the opportunity for outsized gains. These areas have been the focus of the Investment Fund during the period, and are expected to continue in the year ahead.

The market remains open to sales of mature companies from private equity portfolios. While the overall pace of acquisition activity has declined from the peak periods of 2011-2012, high quality businesses continue to be acquired by strategic and financial buyers at attractive prices. While the public markets have become somewhat more receptive to initial public offerings during the period, particularly in the United States, the Manager expects the significant majority of exits from private equity portfolios to continue to be in the form of acquisitions by strategic corporate buyers.

The slow growth but reasonably stable economy together with the distributions to private equity investors of the proceeds from these sales has encouraged many private equity investors to add new positions. The past twelve months has been reasonably balanced with new money coming into the market and continuation of the divestiture of mature portfolio positions.

The Canadian market continues to benefit from steady growth and a stable credit environment, remaining in a relatively strong position. In spite of this, Canada continues to be frequently overlooked by private equity investors, and is underserved by private equity relative to other jurisdictions. As a result, the Manager continues to favour Canada in the portfolio strategy of the Investment Fund, where the flow of high quality investment opportunities remains very strong.

During the past several months, the Manager has continued to see price increases for private equity buyouts to levels not seen for several years. In this environment, the Manager is taking a disciplined approach to new investments, declining to participate in transactions for high quality companies that appear to be overpriced. While these conditions can be more challenging, the Manager remains confident that it can continue to source attractive opportunities for the Investment Fund in the current market. We note this emerging pricing trend as a reminder of the importance of due diligence, discipline and a broad market perspective when investing in the private equity markets.

Opportunity in the Venture Capital Market

As noted above, the Manager is working to capitalize on the current dynamism in the venture capital and growth equity market, which has generally represented approximately 30% to 40% of the portfolio of the Investment Fund. In a new and separate mandate, the Manager was recently selected by a panel of independent industry experts to manage the Kensington Venture Fund, L.P. (“KVF”), a new fund of funds targeting this sector, under the framework of the Venture Capital Action Plan (“VCAP”) of the Government of Canada. The initial closing of KVF occurred on November 14, 2014, with total commitments of \$160 million, including commitments from Richardson GMP, Open Text Corporation, Royal Bank of Canada, BMO Private Equity (Canada) Inc., Canadian Imperial Bank of Canada, TD Bank Group, and Bank of Nova Scotia as well as individual investors, all alongside the Government of Canada which is the lead investor committing one-third of the total Fund. As part of the VCAP program, KVF is structured to provide private sector investors with lower risk and higher returns, as well as more favourable cash flow characteristics, than would otherwise be the case in a standard investment program.

The Manager has reviewed the VCAP structure in detail, and has concluded that the best way for the Investment Fund to fulfill its future allocations to the venture capital and growth sectors is as an investor in KVF. The Manager believes that this approach will result in a better outcome for the Investment Fund for the following reasons:

- The Investment Fund will benefit directly from the favourable financial structure of the VCAP program to reduce the risk and enhance the returns across its portfolio; and
- The Investment Fund will have a proportionate share of a much larger and more diverse portfolio than it could assemble by making its own investments.

In addition, this approach will significantly lower the risk of conflicts of interest that would otherwise arise in the allocation of new investment opportunities between the Investment Fund and KVF.

Accordingly, the Investment Fund subscribed for a commitment of \$23,850,000 in KVF. This amount was selected as representing approximately 35% of the NAV of the Investment Fund and is intended to cover all (or nearly all) new investments in this sector for the next several years. The Manager expects the KVF commitment to be drawn down at a similar pace to the disposition of existing portfolio investments in this sector, such that the overall allocation of Investment Fund capital to this sector should remain relatively flat.

The KVF commitment was reviewed by the Independent Review Committee (“IRC”) of the Investment Fund, which concluded that it achieved a fair and reasonable result for the Investment Fund. Investors should also note that the Investment Fund will not pay any additional management fees for its investment in KVF since it is another fund separately managed by the Manager, in accordance with the Investment Fund’s governing Declaration of Trust.

Summary

The Investment Fund portfolio has matured to the stage where the Manager now expects to see a steady flow of exits from the sale of portfolio companies. This trend has been visible across all relevant indicators, including the number of companies sold, the frequency of exit transactions and the aggregate value received. The Manager believes that the Investment Fund has “hit its stride” and expects that these trends will continue at a similar pace in the years ahead, as long as the portfolio companies continue to perform and market conditions remain favourable. Of course, losses may be realized where companies are not successful as a result of any deterioration in their own performance or in the broader market.

The unique structure of the Investment Fund provides for re-investment of capital from the sale of investments, unlike other private equity funds that typically return all capital to their investors. This structure allows the Investment Fund to continue to benefit from new investments, year after year, as the Manager renews the portfolio over time. As a result, the Manager believes that, now that the portfolio has reached this stage of maturity, the Investment Fund is well positioned to continue to generate value for investors for many years to come.

The Manager does not expect to see dramatic economic improvements in the near term. Private equity investors can succeed in the current slow growth economy with interest rates remaining at historic lows where they have the capability and network for sourcing attractive investments. With corporate buyers still under

pressure to acquire growth in a weak economy, the Manager expects the exit market to remain healthy through the year ahead.

OVERVIEW OF THE INVESTMENT FUND

The Investment Fund is an investment trust established under the laws of the Province of Ontario.

As of September 30, 2014, the Investment Fund had issued four classes of Units, Class A Units, Class F Units, Class E Units and Class G Units. As of September 30, 2014, the Investment Fund had issued (net of redemptions and conversions) 479,442 Class A Units, 46,495 Class F Units, 826,534 Class E Units and 1,914,901 Class G Units for total net proceeds of \$65,000,939. The four classes of units are collectively and interchangeably referred to herein as the "Units". Holders of Units are collectively referred to herein as the "Unitholders". The Class E Units and Class G Units are currently available for subscription.

Units of the Investment Fund are listed on FundSERV, under the symbol KEN 100 (Class A Units), KEN 105 (Class E Units), KEN 110 (Class F Units), and KEN 115 (Class G Units). Current NAV information is provided directly to investment accounts through Fundata.

All amounts stated throughout this report are in Canadian dollars unless otherwise noted.

INVESTMENT OBJECTIVE AND STRATEGIES

The Investment Fund's investment objective is to maximize long-term total returns for Unitholders through distributions of realized income and capital gains from underlying investments ("Underlying Investments"), while managing risk through prudent diversification.

In order to achieve the investment objective, the Investment Fund invests in selected private equity funds 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 also invests directly in private equity opportunities, primarily (but not exclusively) with other private equity fund managers. The Investment Fund seeks to provide investors with diversification by establishing a portfolio of private equity fund investments, including private equity funds focused on a variety of targeted sectors as well as direct investments in companies that are at various stages of their business life cycle.

In accordance with the Declaration of Trust governing the Investment Fund, the Manager has the responsibility to establish target portfolio weightings by geographic region, by investment type and by investment sector. These portfolio weightings are designed as guidelines, with the expectation that the actual weightings will vary over time depending on market conditions and available opportunities, among other factors.

The target portfolio allocations and actual weightings at September 30, 2014 are set out below:

By geographic region:

		Cost	Fair Value
Canada	33% to 66%	<p>0.8% 32.8% 6.9% 59.6%</p> <p>United States Europe Canada Rest of the world</p>	<p>0.4% 31.4% 5.1% 63.1%</p> <p>United States Europe Canada Rest of the world</p>
United States	33% to 66%		
Europe/Rest of World	0% to 10%		

By investment type:

		Cost	Fair Value
Primary & Secondary Funds	50% to 75%	<p>36.8% 63.2%</p> <p>Fund Direct</p>	<p>34.5% 65.5%</p> <p>Fund Direct</p>
Direct Investments	25% to 50%		

By sector:

		Cost	Fair Value
Buyout	50% to 70%	<p>2.6% 45.7% 51.7%</p> <p>Buyout Venture/Growth Other</p>	<p>2.0% 42.6% 55.4%</p> <p>Buyout Venture/Growth Other</p>
Venture Capital & Growth	30% to 40%		
Other	0% to 20%		

Investment Structure

The Investment Fund invests directly in underlying private equity funds, including funds of private equity funds, (collectively, “Underlying Funds”) by committing and advancing capital to Underlying Funds. The Investment Fund also invests capital directly in portfolio companies, typically alongside other private equity funds. In some cases, Underlying Investments are acquired on a secondary basis from other private equity investors.

Capital held by the Investment Fund pending investment in private equity investments is invested in a variety of financial products (“Liquid Investments”) such as cash and cash equivalents, government securities, money market instruments and investment-grade securities, 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.

Risk

The Investment Fund is subject to a number of risks, including all of the risks described in the Offering Memorandum of the Investment Fund and in its most recent Annual Information Form dated June 27, 2014. In addition, the Investment Fund, like all financial investments, has been exposed to increased volatility in the capital markets and foreign exchange markets.

Valuation

The private equity investments made by the Investment Fund, including investments that are made through Underlying Funds, are investments for which no published market exists. 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.

Recent changes to accounting requirements, including pronouncements under International Financial Reporting Standards (“IFRS”), and evolving industry standards have moved the private equity industry to adopt “fair value” reporting, which means that private equity managers now re-value their portfolios on a regular basis. Today, many private equity fund managers value their portfolios on a quarterly basis, with portfolio valuations reviewed annually by their auditors.

The Manager is required to make good faith determinations as to the fair value of the investments and report the NAV of the Investment Fund twice each month, and on a semi-annual basis in connection with the preparation of the Investment Fund’s financial statements. Generally, the Manager bases the valuation of the Investment Fund on fair value determinations made by the managers of the Underlying Funds. These managers typically provide a report of their own portfolio valuations to the Investment Fund on a quarterly basis (except where material transactions are completed between quarterly periods). Details of the valuation policy employed by the Manager in calculating the NAV are published on Kensington’s website at www.kcpl.ca.

RESULTS OF OPERATIONS

Current Portfolio of Underlying Investments

The Manager has constructed a portfolio of diversified private equity investments:

- consisting of investments in private equity funds to provide the diversification required to manage risk, alongside direct investments in companies to enhance returns;
- including allocations to secondary investments to accelerate the time horizon from normal primary fund capital flows and returns;
- including the buyout sector, growth equity, venture capital and other sectors, in order to attempt to provide investors with access to the complete private equity market in a single investment; and
- providing investors with access to private equity investments located primarily in Canada and the U.S., consistent with the Manager’s views on the most compelling investment regions.

The investment strategy used to construct the portfolio of the Investment Fund relies upon the Manager's proactive sourcing of proprietary deal flow and active management of the portfolio. This investment strategy is also designed to provide investors with access to private equity investments that would otherwise be unavailable to them, by capitalizing on the Manager's relationships with leading private equity fund managers, and from the scale achieved from combining their resources with other investors in the Investment Fund. Investors in the Investment Fund also benefit from combining their resources with investors in other private equity funds managed by the Manager, since the Manager is thereby in a position to make larger investments (meeting the minimum investment requirements of these Underlying Funds) and allocate an appropriate portion to the portfolio of the Investment Fund.

As at September 30, 2014, a total of \$90.4 million has been committed to Underlying Investments with approximately 68% of the Underlying Investments being funded. The Investment Fund holds investments in 21 primary funds, 3 independent secondary fund portfolios, 11 direct investments, and 1 international fund of funds. The Manager continues to review private equity investment opportunities on an ongoing basis according to the investment objectives and strategies.

SUMMARY OF INVESTMENT PORTFOLIO

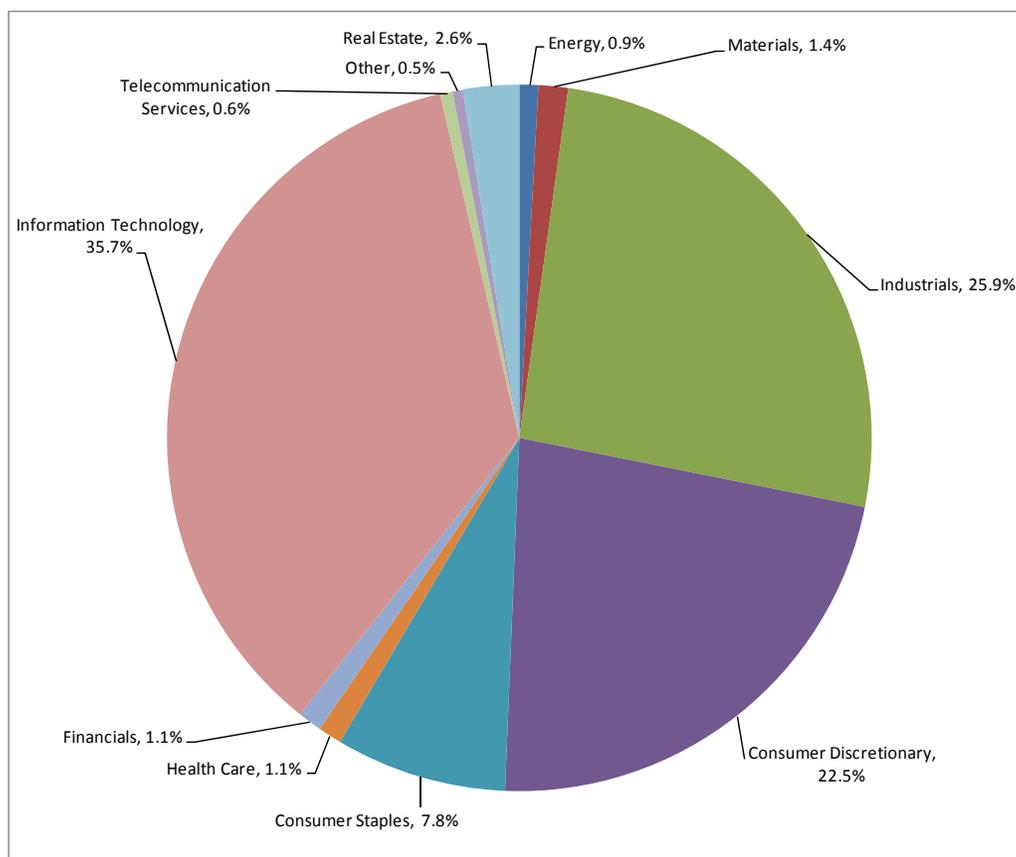
The most significant private equity investments held by the Investment Fund at September 30, 2014 are set out below:

Primary Funds	Commitment	Geographic Region	Sector	Commitment Date
Novacap Industries III, L.P.	\$750,000	Quebec	Buyout	May-07
HarbourVest International Private Equity Partners V - Direct Fund	€ 2,000,000	Europe	Buyout	Jun-07
TriWest Capital Partners III L.P.	\$2,500,000	Western Canada	Buyout	Jun-07
Novacap Technologies III, L.P.	\$500,000	Central Canada	Venture/Growth	Jun-07
Kilmer Capital Fund II, L.P.	\$1,000,000	Central Canada	Buyout	Jul-07
Thomas H. Lee Equity Fund VI, L.P.	US\$1,200,000	U.S.	Buyout	Nov-07
Kilmer Brownfield Equity Fund, L.P.	\$2,000,000	Central Canada	Other	Dec-07
Trivest Fund IV, L.P.	US\$3,000,000	U.S.	Buyout	Aug-08
Walden Venture Capital VII, L.P.	US\$2,500,000	U.S.	Venture/Growth	Sep-08
KERN Energy Partners III L.P.	\$500,000	Alberta	Buyout	Oct-08
Bedford Capital IVC, L.P.	\$500,000	Ontario	Buyout	Dec-08
Georgian Partners Growth Fund I, L.P.	\$3,000,000	North America	Venture/Growth	Jul-10
Georgian Partners Growth Fund II, L.P.	\$5,000,000	North America	Venture/Growth	Dec-13
Capital Partners Income Fund II, L.P.	US\$3,000,000	U.S.	Buyout	Feb-14
Vanedge Capital I L.P.	\$3,000,000	North America	Venture/Growth	Feb-11
Oncap III L.P.	\$3,000,000	North America	Buyout	Aug-11
TriWest Capital Partners IV L.P.	\$3,000,000	Western Canada	Buyout	Dec-11
Whitecastle New Urban Fund 2 L.P.	\$3,000,000	Canada	Other	Mar-12
Trivest Fund V, L.P.	US\$3,000,000	U.S.	Buyout	Aug-12
Walden Venture Capital VIII, SBIC, L.P.	US\$5,000,000	U.S.	Venture/Growth	Aug-13
Tricor Pacific Capital Partners (Fund V) BC, Limited Partnership	\$3,000,000	Canada	Buyout	Dec-13
Secondary Funds	Investment	Geographic Region	Sector	Commitment Date
Novacap II, L.P.	\$8,432,393	Quebec	Buyout	Jul-07
Walden VC II, L.P.	US\$3,102,968	U.S.	Venture/Growth	Sep-08
Trivest Fund IV, L.P.	US\$1,257,690	U.S.	Buyout	Dec-09
Direct Investments	Investment	Geographic Region	Sector	Commitment Date
Ceridian Corporation	US\$1,000,000	U.S.	Buyout	Nov-07
KMC Mining Corporation	\$2,013,604	Alberta	Buyout	Mar-08
Clear Channel Communications, Inc.	US\$665,352	U.S.	Buyout	Aug-08
D-Wave Systems Inc.	\$2,541,502	British Columbia	Venture/Growth	Dec-10
Blue Ant Media Inc.	\$4,639,218	Ontario	Venture/Growth	Dec-11
TouchBistro Inc.	\$500,000	Canada	Venture/Growth	Mar-14
CGL Manufacturing Inc.	\$2,872,318	Canada	Buyout	Jun-13
Walden Sprout Opportunities Fund - B, L.P.	US\$920,926	U.S.	Venture/Growth	Apr-12
Blinq Networks Inc.	US\$2,000,000	U.S.	Venture/Growth	Jul-14
Vision Critical Communications, Inc.	\$1,000,000	Canada	Venture/Growth	Jul-14
Breen Color Concentrates, Inc.	US\$250,000	U.S.	Buyout	Apr-14
International Funds of Funds	Commitment	Geographic Region	Sector	Commitment Date
Nordea Private Equity II - European Middle Market Buyout K/S	€ 2,000,000	Europe	Buyout	May-07

The Investment Fund also holds Liquid and Short-term Investments as capital available to fund new private equity investments as they arise (see "Net Asset Value of the Investment Fund - Liquid and Short-term Investments").

In addition to the 11 direct investments in private companies, the portfolio of the Investment Fund as of September 30, 2014, includes Underlying Investments in indirect investments in private companies through primary and secondary fund portfolios, and much smaller indirect investments in many additional private companies through the international fund-of-funds portfolio. These companies are diversified across multiple industry sectors, as set out in the chart below.

**INDUSTRY WEIGHTINGS OF PRIVATE EQUITY INVESTMENTS
SEPTEMBER 30, 2014**



NET ASSET VALUE OF THE INVESTMENT FUND

Underlying Investments:

As at September 30, 2014, the Investment Fund held Underlying Investments in private equity totaling \$65,766,183 representing 91.0% of the NAV. During the period, certain private equity investments were realized by the Investment Fund, resulting in a shift from unrealized gains reported in prior periods to realized gains in the current period. Excluding the impact of net new subscriptions of \$1,887,811, the net asset value of Underlying Investments grew by \$2,034,918 during the period.

Liquid and Short-term Investments:

As at September 30, 2014, the Investment Fund held Liquid and Short-term Investments totalling \$6,245,927, representing an increase of \$2,620,326 over the \$3,625,601 of Liquid and Short-term Investments held at March 31, 2014. At September 30, 2014, Liquid and Short-term Investments comprised 8.6% of the NAV.

	September 30, 2014				March 31, 2014			
	Par Value (CAD)	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Par Value (CAD)	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash and short term investments		3,072,301	3,072,301	4.3%		2,902,417	2,902,417	4.2%
Kensington Hedge Fund I		3,100,000	3,173,626	4.4%		-	-	0%
Ontario Savings Bond Variable Rate due June 21, 2015	-	-	-	0%	400,000	400,000	403,877	0.6%
Ontario Savings Bond Variable Rate due June 21, 2014	-	-	-	0%	300,000	311,715	319,307	0.5%
		\$6,172,301	\$6,245,927	8.6%		\$ 3,614,132	\$3,625,601	5.3%

Foreign Exchange:

During the six months ended September 30, 2014, the Investment Fund recognized total foreign currency loss of \$101,789 including unrealized foreign exchange loss of \$84,491.

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which such securities are denominated. When the Investment Fund makes commitments to Underlying Investments 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.

Fees and Expenses:

During the six months ended September 30, 2014, a total of \$560,384 (plus 13% HST of \$72,850) was paid as management fees by the Investment Fund. Additional expenses of \$512,599 were incurred in the management of the Investment Fund and paid or accrued to third parties during the period.

The Investment Fund pays all ordinary expenses incurred in connection with its operation and administration, and is responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. The Investment Fund is also responsible for investment expenses incurred by the Manager relating to investment operations, due diligence and research, including any costs related to investment transactions which are not completed.

The Manager was paid a management fee during the six months ended September 30, 2014, equal to an annual rate of 1.95% of the NAV of the Class A Units and Class F Units as reported at the end of each quarter and an annual rate of 1.65% of the NAV of the Class E Units and Class G Units (excluding the service fee payable to registered dealers or investment advisors based on their client ownership of Class A Units and Class E Units as described below).

The Manager is eligible to earn a performance fee ("Performance Fee"). In order for the Manager to become eligible to earn the Performance Fee, the Investment Fund must pay out cash distributions to Unitholders from net income or from net realized gains in the investment portfolio, and must also maintain a stipulated NAV per Unit. The Manager cannot earn a Performance Fee unless the Investment Fund earns and distributes profits to Unitholders.

Each registered dealer whose clients hold Class A Units is paid a service fee equal to 0.40% of the NAV, calculated and paid quarterly on those Class A Units held at the end of the relevant quarter by clients of the registered dealer. Each registered dealer whose clients hold Class E Units is paid a service fee equal to 1.00% of the NAV, calculated and paid quarterly on those Class E Units held at the end of the relevant quarter by clients of the registered dealer. No service fee is payable on the Class F Units or the Class G Units.

The Investment Fund is also subject to fees and expenses of the Underlying Funds, including management fees and carried interest payments (or other performance fees) payable to managers of Underlying Funds. These fees and expenses form part of the invested capital in such Underlying Funds for the purpose of determining their performance, and generally will be recovered by the Investment Fund prior to the payment of performance fees or a carried interest to the manager of such Underlying Funds. These expenses amounted to \$296,248 during the period, and have been included in the amount of \$512,599 of additional expenses paid to third parties as described above.

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, out of the fee payable to the Manager. There is no guarantee that a large holder of Units will receive an effective reduction in management fees and 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.

Net Assets of the Investment Fund per Unit:

The following tables show selected key financial information about the Investment Fund and are intended to summarize the Investment Fund's financial performance for the six-month period ended September 30, 2014 as well as the last five years ended March 31, 2014, 2013, 2012, 2011, and 2010. The information is derived from the Investment Fund's financial statements.

	For the period ended September 30, 2014				For the year ended March 31, 2014				For the year ended March 31, 2013			
	Class A Units	Class F Units	Class E Units	Class G Units	Class A Units	Class F Units	Class E Units	Class G Units	Class A Units	Class F Units	Class E Units	Class G Units
Net Assets Per Unit, Beginning of year	\$ 21.59	\$ 22.16	\$ 21.19	\$ 21.60	\$ 18.68	\$ 19.18	\$ 18.43	\$ 18.59	\$ 22.64	\$ 23.08	\$ 23.33	\$ 23.33
(Decrease) increase from operations:												
Operating Income	0.11	0.11	0.10	0.11	0.18	0.19	0.16	0.17	0.25	0.23	0.16	0.21
Total expenses	(0.40)	(0.37)	(0.40)	(0.31)	(0.92)	(0.87)	(0.86)	(0.70)	(1.14)	(0.95)	(1.19)	(1.27)
Realized investment gains/(losses) for the year	1.23	1.25	1.14	1.20	0.29	0.36	0.26	0.27	3.20	2.92	1.98	2.64
Realized foreign exchange (losses)/gains for the year	(0.01)	(0.01)	(0.01)	(0.01)	(0.09)	(0.09)	(0.08)	(0.09)	(0.02)	(0.01)	(0.01)	(0.01)
Unrealized investment (losses)/gains for the year	(0.31)	(0.31)	(0.27)	(0.30)	2.77	2.72	2.83	2.87	(2.62)	(2.48)	(1.85)	(2.26)
Unrealized foreign exchange gains/(losses) for the year	(0.03)	(0.03)	(0.02)	(0.03)	0.56	0.58	0.48	0.51	0.05	0.06	0.03	0.06
Dilution Adjustment on conversions and new unit issuance	0.41	0.31	(0.04)	(0.12)	0.11	0.08	(0.04)	(0.02)	0.02	0.03	(0.33)	(0.41)
Total increase/(decrease) from operations including dilution adjustment on conversions and new unit issuance	1.01	0.97	0.50	0.54	2.91	2.97	2.76	3.01	(0.27)	(0.21)	(1.21)	(1.05)
Distribution	-	-	-	-	-	-	-	-	(3.69)	(3.69)	(3.69)	(3.69)
Net Assets Per Unit, End of year	\$ 22.60	\$ 23.13	\$ 21.70	\$ 22.14	\$ 21.59	\$ 22.16	\$ 21.19	\$ 21.60	\$ 18.68	\$ 19.18	\$ 18.43	\$ 18.59

Net Assets of the Investment Fund per Unit:

	For the year ended March 31, 2012		For the year ended March 31, 2011		For the year ended March 31, 2010	
	Class A Units	Class F Units	Class A Units	Class F Units	Class A Units	Class F Units
Net Assets Per Unit, Beginning of year	\$ 21.17	\$ 21.45	\$ 18.55	\$ 18.72	\$ 19.35	\$ 19.44
(Decrease) increase from operations:						
Operating Income	0.13	0.12	0.18	0.18	0.06	0.06
Total expenses	(1.04)	(0.90)	(0.81)	(0.74)	(0.77)	(0.70)
Realized investment gains/(losses) for the year	0.50	0.57	2.06	2.11	(0.01)	(0.02)
Realized foreign exchange (losses)/gains for the year	(0.06)	(0.05)	(0.05)	(0.05)	(0.33)	(0.36)
Unrealized investment (losses)/gains for the year	2.47	2.32	1.38	1.44	1.50	1.82
Unrealized foreign exchange gains/(losses) for the year	0.19	0.16	(0.17)	(0.18)	(1.30)	(1.25)
Dilution Adjustment on conversions and new unit issuance	(0.04)	0.09	0.01	(0.01)	0.04	(0.04)
Total increase/(decrease) from operations including dilution adjustment on conversions and new unit issuance	2.15	2.31	2.61	2.75	(0.80)	(0.49)
Distribution	(0.68)	(0.68)	-	-	-	-
Net Assets Per Unit, End of year	\$ 22.64	\$ 23.08	\$ 21.17	\$ 21.45	\$ 18.55	\$ 18.72

Note: Class F units were created on February 1, 2008, Class E and G units were created April 9, 2012.

Ratios and Supplemental Data

	Period Ended September 30, 2014				Year Ended March 31, 2014			
	Class A Units	Class F Units	Class E Units	Class G Units	Class A Units	Class F Units	Class E Units	Class G Units
Net Asset Value	\$ 10,834,661	\$ 1,075,575	\$ 17,931,775	\$ 42,394,970	\$ 10,719,443	\$ 1,030,319	\$ 15,997,886	\$ 40,566,593
Units Outstanding	479,442	46,495	826,534	1,914,901	496,612	46,495	754,884	1,878,138
Management expense ratio % (1)	3.65%	3.24%	3.96%	2.92%	4.47%	4.03%	5.02%	3.81%
Portfolio turnover rate % (2)	17.40%	17.40%	17.40%	17.40%	16.14%	16.14%	16.14%	16.14%
Trading expense ratio % (3)	0.00%	0.00%	0.00%	0.00%	0.09%	0.09%	0.11%	0.10%

	Year Ended March 31, 2013			Year Ended March 31, 2012		Year Ended March 31, 2011		Year Ended March 31, 2010	
	Class F Units	Class E Units	Class G Units	Class A Units	Class F Units	Class A Units	Class F Units	Class A Units	Class F Units
Net Asset Value	\$ 1,095,178	\$ 8,207,169	\$ 31,358,306	\$ 24,103,220	\$ 29,317,309	\$ 24,103,220	\$ 29,317,309	\$ 21,356,905	\$ 25,146,840
Units Outstanding	57,094	445,288	1,686,834	1,138,551	1,366,607	1,138,551	1,366,607	1,151,301	1,343,627
Management expense ratio % (1)	4.04%	7.80%	6.01%	4.21%	3.80%	4.21%	3.80%	4.30%	3.90%
Portfolio turnover rate % (2)	23.12%	23.12%	23.12%	22.06%	22.06%	22.06%	22.06%	0.10%	0.10%
Trading expense ratio % (3)	0.00%	0.00%	0.00%	0.04%	0.04%	0.04%	0.04%	0.00%	0.00%

- 1) Management expense ratio (MER) is based on total expenses for the stated period and is expressed as an annualized percentage of the net average assets during the period. The reported MER for the Investment Fund includes expenses incurred by Underlying Funds. Unlike typical mutual fund expenses, the expenses incurred by these Underlying Funds will be recovered by the Investment Fund prior to any such Underlying Fund's managers earning a performance fee. The recoveries of these expenses will be recorded as portfolio gains at the appropriate times, and will not be reflected in any adjustment to the MER at those times. The Investment Fund's MER is reported in accordance with applicable accounting standards and securities laws.

The Manager has calculated the unrecoverable portion of the MER during the relevant periods ("Unrecoverable MER"), as the reported MER less the amounts expected to be recovered from Underlying Funds as described above. The chart below shows the Unrecoverable MER for the periods indicated.

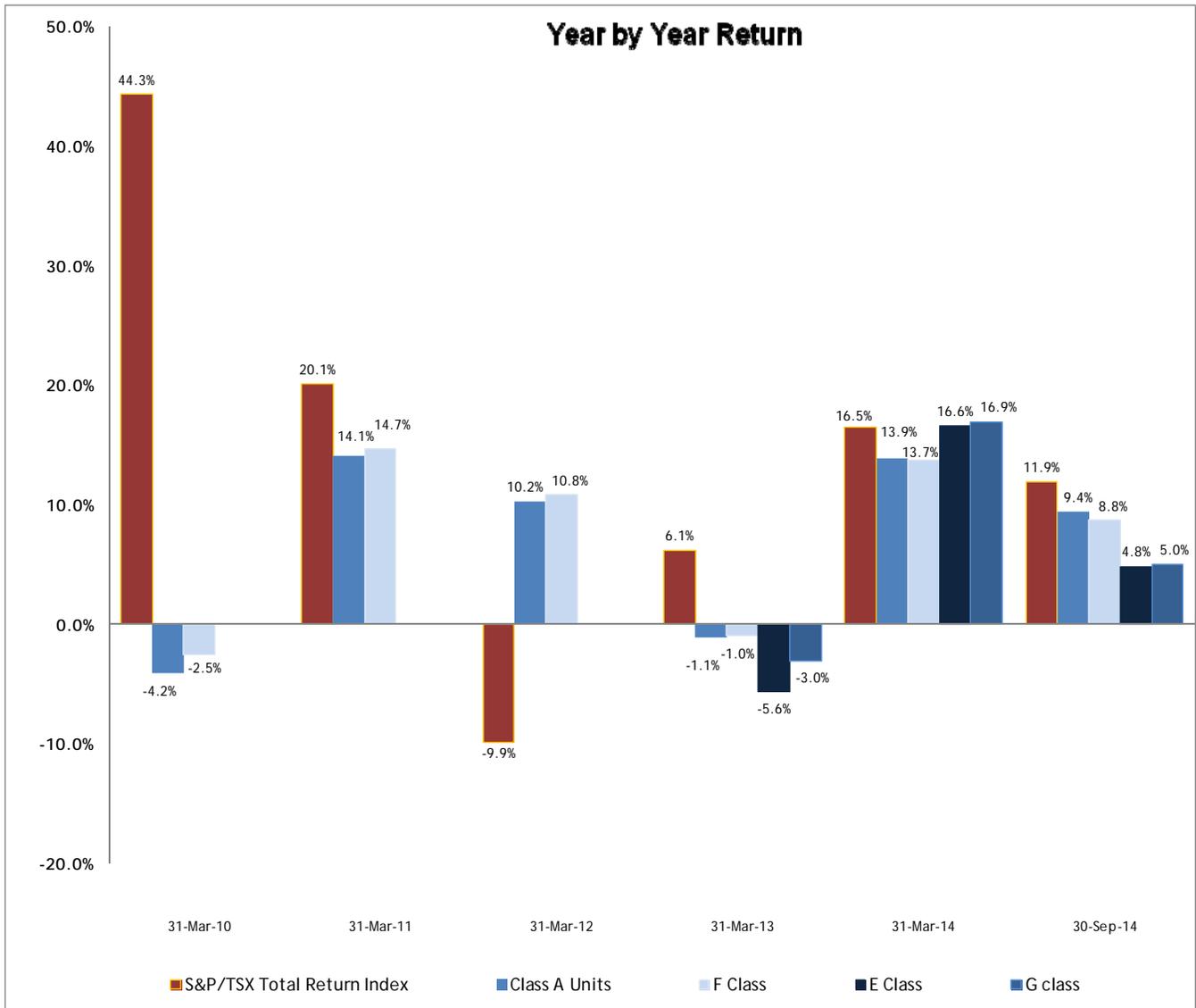
	Unrecoverable MER	Unrecoverable MER
	30-Sep-14	31-Mar-14
Class A	2.79%	3.32%
Class F	2.39%	2.89%
Class E	3.12%	3.80%
Class G	2.07%	2.62%

- (2) The September 2014 MER has been calculated using 100% of the expenses incurred during the period based on the weighted average of Units of each class outstanding during the six-month period beginning April 1, 2014. The March 2014 MER has been calculated using 100% of the expenses incurred during the fiscal year based on the weighted average of Units of each class outstanding during the 365-day period beginning April 1, 2013.
- (3) The Investment Fund's portfolio turnover rate indicates how often the private equity investments contained in the portfolio of the Investment Fund are bought and sold. A portfolio turnover rate of 100% is equivalent to the Investment Fund buying and selling all of the private equity investments once in the course of the year. The higher a fund's portfolio turnover rate, the greater the transaction costs.
- (4) Trading expense ratio represents total transaction costs, including interest paid on committing capital to a fund subsequent to its initial close, expressed as an annualized percentage of the daily average net assets during the period.

PAST PERFORMANCE

Year-by-Year Returns:

The following bar charts show the performance of each class of Units of the Investment Fund for the six-month period ended September 30, 2014 and the last five fiscal years ended March 31. The charts shows in percentage terms how an investment made on April 1 (or inception) would have increased or decreased by the end of the relevant period. The past performance of the Investment Fund is not necessarily an indication of how it will perform in the future.



** Class E Units and Class G Units were outstanding from April 9, 2012. Rates of returns are affected by varying times of issuance.

FORWARD LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent the Manager's expectations regarding future events. By their nature, forward-looking statements must be based on assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this document are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Actual results may differ materially from the Manager's expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, foreign exchange rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Investment Fund may invest and the risks detailed from time to time in the Investment Fund's prospectus, Annual Information Form and other investor documentation. The foregoing list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to investing in the Investment Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, neither the Investment Fund nor the Manager undertakes, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

KENSINGTON PRIVATE EQUITY FUND

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KENSINGTON PRIVATE EQUITY FUND

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Kensington Private Equity Fund (the "Fund") and all the information in this report are the responsibility of the management of Kensington Capital Advisors Inc. (the "Manager"), and have been approved by the Manager.

The financial statements have been prepared by management in accordance with Interim Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 2 of the financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Manager meets periodically with the external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review this report and the financial statements. Deloitte & Touche L.L.P., the Fund's independent auditor has not performed a review of the semi-annual financial statements in accordance with Standards established by the International Accounting Standards Board.



Richard Nathan
Managing Director,
Kensington Capital Advisors Inc.



Suganya Tharmalingam
Managing Director & Chief Financial Officer
Kensington Capital Advisors Inc.

November 28, 2014

KENSINGTON PRIVATE EQUITY FUND

Condensed Interim Balance Sheet (unaudited)

	September 30, 2014	March 31, 2014	April 1, 2013
	\$	\$	\$
Assets			
Portfolio investments (Notes 3 & 4)	72,271,533	68,369,257	53,149,381
Interest receivable	-	94,394	206
Accounts receivable	16,545	26,738	26,997
Prepaid expenses	104,824	72,627	66,767
	<u>72,392,902</u>	<u>68,563,016</u>	<u>53,243,351</u>
Liabilities			
Accrued expenses	155,930	248,775	255,318
	<u>155,930</u>	<u>248,775</u>	<u>255,318</u>
Net assets	<u>72,236,972</u>	<u>68,314,241</u>	<u>52,988,033</u>

NET ASSETS BY CLASS	\$	\$	\$
Class A	10,834,649	10,719,443	12,327,380
Class F	1,075,575	1,030,319	1,095,178
Class E	17,931,775	15,997,886	8,207,169
Class G	42,394,969	40,566,593	31,358,306
	<u>72,236,968</u>	<u>68,314,241</u>	<u>52,988,033</u>

NUMBER OF UNITS OUTSTANDING (Note 5)			
Class A	479,442	496,612	659,975
Class F	46,495	46,495	57,094
Class E	826,534	754,884	445,288
Class G	1,914,901	1,878,138	1,686,834
	<u>3,267,372</u>	<u>3,176,129</u>	<u>2,849,191</u>

NET ASSETS PER UNIT BY CLASS	\$	\$	\$
Class A	22.60	21.59	18.68
Class F	23.13	22.16	19.18
Class E	21.70	21.19	18.43
Class G	22.14	21.60	18.59

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

KENSINGTON PRIVATE EQUITY FUND

Condensed Interim Statement of Comprehensive Income

For the six-month period ended September 30

(Unaudited)

	2014	2013
	\$	\$
Investment income	353,234	191,783
Expenses		
Management fee (Note 7)	633,234	520,570
Expenses incurred by investee funds	296,248	243,043
Legal fees	20,575	32,178
Other expenses	25,215	49,282
Service fees	109,438	78,348
Board and committee fees	11,487	12,801
Custodian and transfer agent fees	29,868	38,742
Audit fees	19,648	11,856
Interest Expense	119	-
Total operating expenses	1,145,833	986,820
Net operating loss	(792,599)	(795,037)
Net realized gain (loss) on portfolio investments	3,879,635	(4,062,870)
Net change in unrealized (loss) gain on portfolio investments	(950,330)	2,224,260
Realized loss on foreign currency translation	(17,298)	(13,676)
Net change in unrealized (loss) gain on foreign currency translation	(84,491)	449,248
Total increase (decrease) from operations	2,034,917	(2,198,075)
Increase (decrease) in net assets from operations by Class		
	\$	\$
Class A	211,886	(510,342)
Class F	45,256	(31,609)
Class E	520,915	(434,430)
Class G	1,256,860	(1,221,694)
	<u>2,034,917</u>	<u>(2,198,075)</u>
Increase (decrease) in net assets from operations per unit by Class		
	\$	\$
Class A	0.44	(0.98)
Class F	0.97	(0.61)
Class E	0.63	(0.61)
Class G	0.66	(0.67)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

KENSINGTON PRIVATE EQUITY FUND

Condensed Interim Statement of Changes in Net Assets

For the six-month period ended September 30

(Unaudited)

	Class A		Class F		Class E		Class G		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Net assets, April 1, 2014	10,719,443	12,327,380	1,030,319	1,095,178	15,997,886	8,207,169	40,566,593	31,358,306	68,314,241	52,988,033
Capital conversions	(96,680)	(2,550,271)	-	(95,996)	251,282	1,981,630	371,516	664,637	526,119	-
Capital contributions	-	(2,662)	-	-	1,161,692	2,771,983	200,000	1,749,000	1,361,692	4,518,321
Capital redemptions	-	-	-	-	-	-	-	-	-	-
Distributions	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in assets from operations	211,886	(510,342)	45,256	(31,609)	520,915	(434,430)	1,256,860	(1,221,694)	2,034,917	(2,198,075)
Net assets, September 30, 2014	10,834,649	9,264,105	1,075,575	967,573	17,931,775	12,526,352	42,394,969	32,550,249	72,236,970	55,308,279

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

KENSINGTON PRIVATE EQUITY FUND

Condensed Interim Statement of Cash Flows

For the six-month period ended September 30

(Unaudited)

	2014		2013
	\$		\$
Cash provided by (used in) operating activities			
Total increase (decrease) from operations	\$ 2,034,917	\$	(2,198,075)
Net change in unrealized (loss) gain on portfolio investments	950,330		(2,224,260)
Net change in unrealized (loss) gain on foreign currency translation	84,491		(449,248)
Net realized gain (loss) on portfolio investments	(3,879,635)		4,062,870
Realized loss on foreign currency translation	17,298		13,676
Net change in non-cash investing activities	212,367		13,502
Net change in non-cash working capital	(20,452)		(106,332)
Net cash provided by (used in) operating activities	(600,684)		(887,867)
Cash provided by (used in) investing activities			
Proceeds and return of capital from investments	9,703,350		596,140
Purchase of investments	(8,370,151)		(5,494,939)
Net cash provided by (used in) investing activities	1,333,199		(4,898,799)
Cash provided by (used in) financing activities			
Capital contributions, net of redemption and conversion	1,887,811		4,518,321
Distributions	-		-
Net cash provided by financing activities	1,887,811		4,518,321
Increase (Decrease) in cash and cash equivalent during the period	2,620,326		(1,268,345)
cash and cash equivalent, beginning of period	3,625,601		3,450,681
cash and cash equivalent, end of period	\$ 6,245,927	\$	2,182,336

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

KENSINGTON PRIVATE EQUITY FUND

Condensed Interim Consolidated Schedule of Investment Portfolio

As at September 30, 2014

(Unaudited)

Description	Committed Amount / Shares/Units (Native currency)	Cost (CAD)	Estimated Fair Value (CAD)	
Private Equity Investments (Note 4)				
Primary Fund				
TriWest Capital Partners III, L.P.	CAD 2,500,000	1,350,778		
TriWest Capital Partners IV, L.P.	CAD 3,000,000	2,310,897		
Kilmer Brownfield Equity Fund, L.P.	CAD 2,000,000	372,487		
Bedford Capital IVC, L.P.	CAD 500,000	162,753		
Georgian Partners Growth Fund I, LP	CAD 3,000,000	2,372,256		
Novacap Industries III, L.P.	CAD 750,000	468,155		
Novacap Technologies III, L.P.	CAD 500,000	278,295		
Oncap III L.P.	CAD 3,000,000	879,073		
Whitecastle New Urban Fund 2 L.P.	CAD 3,000,000	958,450		
Georgian Partners Growth Fund II, L.P.	CAD 5,000,000	2,127,896		
KERN Energy Partners III, LP	CAD 500,000	365,943		
Kilmer Capital Fund II, L.P.	CAD 1,000,000	344,666		
Vanedge Capital I Limited Partnership	CAD 3,000,000	992,796		
Tricor Pacific Capital Partners (Fund V) BC, Limited Partnership	CAD 3,000,000	341,671		
		\$ 13,326,116	26,841,413	
Secondary Fund				
Novacap II, L.P.	CAD 8,432,393	\$ 4,413,906		
Direct Investments				
KMC Mining Corporation (KMC)	Partnership Units, 2,013,604	2,013,604		
D-Wave Systems Inc.	CAD 2,541,502	2,541,502		
CGL Manufacturing Inc.	Common shares, 2,872,318	2,872,318		
TouchBistro Inc.	CAD 500,000	500,000		
Blue Ant Media Inc.	Common shares 4,639,218	4,639,218		
Vision Critical Communications, Inc.	CAD 1,000,000	1,000,000		
		\$ 13,566,642	16,375,727	
Total Canadian Investments		\$ 31,306,664	\$ 43,217,140	
European				
Primary Fund				
HarbourVest International Private Equity Partners V - Direct Fund L.P.	€ 2,000,000	1,818,685		
Nordea Private Equity II - European Middle Market Buyout K/S	€ 2,000,000	2,125,935		
Total European		\$ 3,944,620	\$ 3,711,658	
U.S. Investments				
Primary Fund				
Trivest Fund IV, L.P.	USD 3,000,000	1,814,946		
Thomas H. Lee Equity Fund VI, L.P.	USD 1,200,000	880,812		
Walden Venture Capital VII, L.P.	USD 2,500,000	2,080,107		
Walden Venture Capital VIII, SBIC, L.P.	USD 5,000,000	519,950		
Capital Partners Income Fund II, L.P.	USD 3,000,000	585,555		
Trivest Fund V, L.P.	USD 3,000,000	634,900		
		\$ 6,516,270	9,970,854	
Secondary Fund				
WaldenVC II, L.P.	USD 3,102,968	2,844,210		
Trivest Fund IV, L.P.	USD 1,257,690	724,583		
		\$ 3,568,793	2,528,770	
Direct Investments				
Ceridian Corporation	Partnership Units, 1,000,000	944,740		
Walden Sprout Opportunities Fund - B, L.P.	Partnership Units, 920,926	957,698		
Clear Channel Communications, Inc.	Partnership Units, 665,352	651,555		
Breen Color Concentrates, Inc.	Partnership Units, 250,000	275,359		
Bling Networks Inc.	Partnership Units, 2,000,000	2,134,566		
		\$ 4,963,918	6,337,761	
Total U.S. Investments		\$ 15,048,981	\$ 18,837,385	
Total Private Equity Investments		\$ 50,300,265	\$ 65,766,183	91.0%
Liquid Investments		6,172,301	6,245,927	8.6%
Foreign currency forward contract			259,423	0.4%
TOTAL PORTFOLIO INVESTMENTS		\$ 56,472,566	\$ 72,271,534	100.0%
Other assets net of accrued liabilities			(34,561)	0.0%
NET ASSETS			\$ 72,236,972	100.0%

KENSINGTON PRIVATE EQUITY FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2014

1. Formation of the Investment Fund

Kensington Global Private Equity Fund (the "Global Fund") was created in 2007 to provide investors with access to a diversified portfolio of private equity investments, including private equity funds and direct investments in private companies, which are not available in the public market.

Kensington Private Equity Fund ("Investment Fund") is an investment trust established under the laws of the Province of Ontario and is governed by the Declaration of Trust dated September 17, 2014. The Investment Fund is the successor to Global Fund that transitioned into the Investment Fund by a transfer of assets and termination of Global Fund that occurred on September 17, 2014. Accordingly, the historical results and other characteristics of Global Fund are presented in this report as part of the historical results of the Investment Fund.

As of September 30, 2014, the Investment Fund had issued four classes of Units, Class A Units, Class F Units, Class E Units and Class G Units. As of September 30, 2014, the Investment Fund had issued (net of redemptions and conversions) 479,442 Class A Units, 46,495 Class F Units, 826,534 Class E Units and 1,914,901 Class G Units for total net proceeds of \$65,000,939. The four classes of units are collectively and interchangeably referred to herein as the "Units". Holders of Units are collectively referred to herein as the "Unitholders". The Class E Units and Class G Units are currently available for subscription.

Kensington Capital Advisors Inc. is the Manager and Trustee of the Investment Fund. The Manager is entitled to a management fee based on the net asset value ("NAV") of the Investment Fund. The Manager is also eligible to earn a performance fee ("Performance Fee"). See Note 7.

Income is allocated to the Unitholders on a pro rata basis. There is no termination date for the Investment Fund.

The Investment Fund's registered office is at 95 St. Clair Avenue West, Toronto, Ontario, Canada.

These financial statements were authorized for issue on November 28, 2014.

2. Significant Accounting Policies

First time adoption of IFRS

The Investment Fund adopted International Financial Reporting Standards (IFRS) effective April 1, 2014. The date of transition to IFRS was April 1, 2013.

The Investment Fund's accounting policies presented below have been applied in preparing the Financial Statements for the six-month period ended September 30, 2014, the comparative information and the opening Balance Sheet at the date of transition.

The Investment Fund has applied IFRS 1, *First-time Adoption of International Financial Reporting Standards* (IFRS 1), in preparing these first IFRS Financial Statements. IFRS 1 sets out the procedures that the Investment Fund must follow when it adopts IFRS for the first time as the basis for preparing its Financial Statements.

There is no impact on net assets and net income from operations as a result of adopting IFRS. However, a Statement of Cash Flows is required which was not a requirement under previous Generally Accepted Accounting Principles (Canadian GAAP).

KENSINGTON PRIVATE EQUITY FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2014

2. Significant Accounting Policies (Continued)

Basis of Presentation

These financial statements present the financial position and results of operations of the Investment Fund in accordance with IFRS and are presented in compliance with International Accounting Standards (IAS) 34, *Interim financial reporting*.

The Investment Fund qualifies as an investment entity as it meets the following definition of an investment entity as outlined in IFRS 10, *Consolidated Financial Statements*:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services.
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measures and evaluates the performance of substantially all of its investments on a fair value basis.

No significant judgements or assumptions were made in determining that the Investment Fund meets the definition of an investment entity as defined in IFRS 10.

Use of Estimates

Financial statements prepared in accordance with IFRS require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated fair values of Portfolio Investments since these determinations include estimates of expected future cash flows, rates of return and the anticipated impact of future events. Actual results could differ from those estimates.

Portfolio Investments - Cost of Investments

The cost of private equity investments includes all amounts paid to fund the subscription or acquisition of the investment to date. Investments in private equity funds are funded over time in response to capital calls from the private equity fund managers and cannot exceed the total committed amount.

Valuation of Investments:

Portfolio Investments

Investments are carried at their estimated fair value. Fair values are determined and reported by the underlying private equity fund managers. The investments held by the underlying private equity fund managers, are defined as underlying investments. These portfolio investments fair values are based on the fair value of the underlying investments held by each of the funds. Fair value is defined and evaluated independently by each fund. Private equity investments are generally made directly or through ownership in limited partnership funds. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity. The Manager may adjust these values if, in its view, the values do not reflect the price which would be paid in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act. The fair value of forward currency is determined by reference to quoted bid prices.

Direct Investments

KENSINGTON PRIVATE EQUITY FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2014

2. Significant Accounting Policies (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer the liability in an orderly transaction between participants at the measurement date. Direct investments in public securities are recorded at fair value, under IFRS, as long as it falls within bid-ask spread for a security on the recognized exchange on which it principally trades. Direct investments in securities where no quoted market values are available are held at fair value as determined by the Manager. A number of valuation methodologies are considered in arriving at fair value, including

comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. The most appropriate methodology, on an investment by investment basis, is chosen to determine fair value. Any sale, size, control, liquidity or other discounts or premiums on the investment are considered by the Manager in its determination of fair value. The fair value for investments held directly is primarily determined using earnings multiples of comparable publicly traded companies. Significant inputs include company specific earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings multiples of comparable publicly traded companies. In the case of investments held through a limited partnership fund, fair value is generally determined based on relevant information reported by the general partner using similar accepted industry valuation methods.

Valuation of Short-term Investments

Liquid investments consist of cash, government treasury bills, money market instruments and investment grade securities. Fair value is determined using cost, which, together with accrued interest income, approximates fair value due to the short-term nature of these securities.

Classification

The Investment Fund classifies its financial assets and financial liabilities into the categories below in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

Financial assets classified at fair value through profit and loss

Financial assets are either classified at fair value through profit and loss or at amortized cost. The classification depends on (a) the business model for managing the financial assets and (b) the cash flow characteristics of the financial assets. The Investment Fund has designated its private equity investments at fair value through profit and loss given those investments do not qualify for held for trading.

Functional and presentation currency

The Investment Fund's functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. The Investment Fund's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Transaction Costs

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of portfolio investments, including the costs associated with portfolio transactions that are unsuccessful. They are expensed as incurred and included in the statement of operations.

KENSINGTON PRIVATE EQUITY FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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2. Significant Accounting Policies (Continued)

Investment Income

Interest income is recorded on an accrual basis. Dividend income is recorded when declared and payable to the Investment Fund. The difference between fair value and cost of investments is recorded as unrealized appreciation (depreciation) of portfolio investments.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of portfolio investments are translated at the rate of exchange prevailing on the respective date of such transaction. The related exchange gain or loss is recognized in net earnings.

Classification of Redeemable Units Issued by the Investment Fund

Under IFRS, IAS 32 requires that redeemable units of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Investment Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity and therefore, have been classified as financial liabilities.

Increase/Decrease in Net Assets from Operations per Unit

Increase/Decrease in net assets from operations per unit in the statement of operations represents the net increase/decrease in net assets from operations for the period divided by the average number of units outstanding during the period.

Capital Disclosures

International Accounting Standards (IAS) Section 1 specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity is subject to any externally imposed capital requirements; and (iv) if it has not complied with any such capital requirements, the consequences of such non-compliance. The Investment Fund's objectives, policies and processes are described in Note 1, information on the Investment Fund's Unitholders' equity is described in Note 5 and the Statement of changes in net assets, and the Investment Fund does not have any externally imposed capital requirements.

New Standards and Interpretations not yet adopted

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. The Investment Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

KENSINGTON PRIVATE EQUITY FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2014

3. Cash and Short Term investments

Capital held by the Investment Fund pending investment in private equity investments is invested in short-term investments, consisting of a variety of financial products such as cash, government treasury bills, money market instruments and investment grade securities, 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.

	September 30, 2014				March 31, 2014				April 1, 2013			
	Par Value (CAD)	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Par Value (CAD)	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Par Value (CAD)	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash and short term investments		3,072,301	3,072,301	4.3%		2,902,417	2,902,417	4.2%		244,303	244,303	0.5%
Kensington Hedge Fund I		3,100,000	3,173,626	4.3%		-	-	0%		600,000	631,000	1.2%
Ontario Savings Bond Variable Rate due June 21, 2015	-	-	-	0%	400,000	400,000	403,877	0.6%	2,160,000	2,160,000	2,180,934	4.1%
Ontario Savings Bond Variable Rate due June 21, 2014	-	-	-	0%	300,000	311,715	319,307	0.5%	300,000	306,551	311,718	0.6%
Ontario Savings Bond Variable Rate due June 21, 2013	-	-	-	0%	-	-	-	0%	81,900	81,900	82,726	0.2%
		\$6,172,301	\$6,245,927	8.6%		\$ 3,614,132	\$3,625,601	5.3%		\$ 3,392,754	\$ 3,450,681	6.6%

4. Investments

Description	September 30, 2014				March 31, 2014				April 1, 2013			
	Number of Investments*	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Number of Investments*	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Number of Investments*	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Energy	13	413,135	565,660	0.8%	15	413,972	535,858	0.8%	14	356,836	395,692	0.7%
Materials	6	1,232,650	891,395	1.2%	3	502,523	162,568	0.2%	6	1,807,692	5,617,302	10.6%
Industrials	32	12,908,076	17,050,429	23.6%	33	12,952,709	18,627,042	27.3%	31	8,481,076	8,131,023	15.3%
Consumer Discretionary	46	11,832,351	14,799,578	20.5%	46	11,260,116	14,195,458	20.8%	46	11,575,068	13,659,979	25.9%
Consumer Staples	5	813,938	5,160,214	7.1%	5	4,758,352	9,638,087	14.1%	5	2,970,330	4,457,679	8.4%
Health Care	6	652,364	716,852	1.0%	9	787,476	965,734	1.4%	10	1,093,494	1,063,308	2.0%
Financials	10	650,920	716,967	1.0%	10	496,364	691,527	1.0%	20	3,364,318	3,442,187	6.5%
Information Technology	76	19,517,893	23,492,024	32.5%	74	13,826,305	16,844,436	24.7%	48	9,160,288	9,371,550	17.7%
Telecommunication Services	5	410,749	376,470	0.5%	7	488,504	524,191	0.8%	9	4,785,307	3,145,722	5.9%
Real Estate	10	1,566,270	1,691,720	0.4%	9	1,738,403	1,679,274	2.5%	0	-	-	0.0%
Other	2	301,919	304,873	2.3%	5	546,394	603,300	0.9%	3	337,612	331,084	0.6%
Total Private Equity Investments	211	50,300,265	65,766,183	91.0%	216	47,771,118	64,467,475	94.5%	192	43,932,021	49,615,526	93.6%

* Several of the underlying investments are limited partnerships containing multiple investments, which may be categorized in more than one industry segment. Therefore, the number of Underlying Investments by industry classification may not equal the total number of Underlying Investments in the Investment Fund.

Fair Value Measurement

The Investment Fund follows IFRS 13 which requires the Investment Fund to classify fair value measurements using a three-level fair value hierarchy framework (the "Framework") that reflects the relative reliability of the inputs used in making the measurements (Level 1, Level 2 and Level 3 inputs as defined in the standard). The inputs and methodology used for valuing securities may not be an indication of the risks associated with investing in those securities.

The Framework used is summarized as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liabilities that are not based on an observable market data.

KENSINGTON PRIVATE EQUITY FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

September 30, 2014

4. Investments (Continued)

The following is a summary of the Investment Fund's investments, as at September 30, 2014, March 31, 2014 and April 1, 2013, classified using a three-level fair value hierarchy Framework, based on the relative reliability of the inputs used to estimate their fair value, as described in Note 2.

Assets at fair value as at September 30, 2014

	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	\$65,766,183	\$65,766,183
Liquid Investments	\$6,245,927	-	-	\$6,245,927
Currency Hedge	\$259,424	-	-	\$259,424
Total	\$6,505,351	-	\$65,766,183	\$72,271,534

Assets at fair value as at March 31, 2014

	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	\$64,467,475	\$64,467,475
Liquid Investments	\$3,625,601	-	-	\$3,625,601
Currency Hedge	\$276,181	-	-	\$276,181
Total	\$3,901,782	-	\$64,467,475	\$68,369,257

Assets at fair value as at April 1, 2013

	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	\$49,615,526	\$49,615,526
Liquid Investments	\$2,819,681	\$631,000	-	\$3,450,681
Currency Hedge	-	\$83,174	-	\$83,174
Total	\$2,819,681	\$714,174	\$49,615,526	\$53,149,381

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4. Investments (Continued)

During the period ended September 30, 2014, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<u>Private Equity Investments</u>
Beginning Balance, April 1, 2014	64,467,475
Purchases	8,370,151
Sales	(9,703,350)
Realized gains (losses) included in net income	3,862,336
Change in unrealized appreciation (depreciation) included in net income	<u>(1,230,429)</u>
Ending Balance, September 30, 2014	<u>65,766,183</u>
Total change in unrealized appreciation during the year for assets held as at September 30, 2014	<u>(1,034,821)</u>

The use of reasonable possible alternative assumptions for valuing Level 3 financial instruments would not significantly affect the fair value of those instruments.

During the year ended March 31, 2014, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<u>Private Equity Investments</u>
Beginning Balance, April 1, 2013	49,615,526
Purchases	10,925,424
Sales	(7,086,328)
Realized gains (losses) included in net income	588,928
Change in unrealized appreciation (depreciation) included in net income	<u>10,423,925</u>
Ending Balance, March 31, 2014	<u>64,467,475</u>
Total change in unrealized appreciation during the year for assets held as at March 31, 2014	<u>10,655,294</u>

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September 30, 2014

4. Investments (Continued)

During the year ended April 1, 2013, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<u>Private Equity Investments</u>
Beginning Balance, April 1, 2012	50,569,681
Purchases	9,868,683
Sales	(11,909,530)
Realized gains (losses) included in net income	7,569,672
Change in unrealized appreciation (depreciation) included in net income	<u>(6,482,980)</u>
Ending Balance, March 31, 2013	<u>49,615,526</u>
Total change in unrealized appreciation during the year for assets held as at March 31, 2013	<u>644,625</u>

5. Units Outstanding

The following units were issued and redeemed for the period ended September 30:

	September 30, 2014				March 31, 2014				April 1, 2013			
	Class A	Class F	Class E	Class G	Class A	Class F	Class E	Class G	Class A	Class F	Class E	Class G
Balance Beginning of Period	496,612	46,495	754,884	1,878,138	659,975	57,094	445,288	1,686,834	1,105,352	1,432,618	-	-
Class Switches	-17,170	-	4,955	12,064	-152,973	-10,599	120,116	44,380	-461,817	-1,377,238	299,419	1,546,219
Capital Contribution	-	-	66,695	24,699	-	-	189,775	148,397	23,940	1,714	145,869	140,615
Capital Redemption	-	-	-	-	-10,390	-	-295	-1,473	-7,500	-	-	-
Balance End of Period	<u>479,442</u>	<u>46,495</u>	<u>826,534</u>	<u>1,914,901</u>	<u>496,612</u>	<u>46,495</u>	<u>754,884</u>	<u>1,878,138</u>	<u>659,975</u>	<u>57,094</u>	<u>445,288</u>	<u>1,686,834</u>

6. Income Taxes

The Investment Fund is subject to income tax in Canada on the amount of its income for the year, including net realized taxable capital gains, less the amount that it claims in respect of the amount of such income paid or payable to Unitholders in the year. The Investment Fund generally intends to claim the full amount available for deduction in each year and, therefore, expects that it will generally not be liable for Canadian income tax.

As a result of its investments, the Investment Fund may 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. The financial statements reflect only the amount of non-recoverable income tax paid or payable by the Investment Fund. The Investment Fund has non-capital loss carry forwards of \$254,844 from 2008, \$974,492 from 2009, \$708,117 from 2011 \$1,525,891 from 2012 and \$327,522 from 2013, expiring in 2028, 2029, 2031, 2032 and 2033, respectively.

KENSINGTON PRIVATE EQUITY FUND

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7. Management Fees, Performance Fees and Other Expenses

The Investment Fund pays all ordinary expenses incurred in connection with its operation and administration, and is responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. The Investment Fund is also responsible for investment expenses incurred by the Manager and advisory board relating to investment operations, due diligence and research, including any costs related to investment transactions which are not completed.

The Manager is paid a management fee equal to an annual rate of 1.95% of the NAV of the Class A Units and Class F Units and 1.65% of the NAV of the Class E Units and Class G Units as reported at the end of each quarter.

The Manager is eligible to earn a performance fee on the Class A Units and the Class F Units of 10% of the amounts available to be paid once the performance hurdle has been achieved. The following two criteria must be met in order to satisfy the performance hurdle: (i) the NAV per unit must be equal to the fully paid NAV per unit; and (ii) Unitholders must have received, or must receive in such year, on a cumulative non-compounding basis since the beginning of 2010, cash distributions per unit of net income and net realized capital gains (and excluding any amounts distributed to investors on the Units as a return of capital) equal to not less than 10% of the fully paid NAV per unit for each year. The Performance Fee, if earned, is payable to the Manager in units over a five-year vesting period. The Manager cannot earn a Performance Fee unless the Investment Fund earns and distributes profits to Unitholders.

The Manager is eligible to earn a performance fee based on net income and net realized capital gains earned by the Investment Fund which are distributed to holders of Class E Units and Class G Units in that year. The performance fee will be equal to 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 in respect of the Class E Units and the Class G Units. The Manager cannot earn a performance fee unless the Investment Fund makes cash distributions to Unitholders in the year. In order for the Manager to earn the performance fee on the Class E Units and the Class G Units in any year, the NAV per unit of the Class E Units and the NAV per unit of the Class G Units must be at least equal to the fully paid NAV per unit at the time a cash distribution is declared. The fully paid NAV per Unit will be reduced by any amounts distributed to investors as a return of capital.

Each registered dealer whose clients hold Class A Units is paid a service fee equal to 0.40% of the NAV, calculated and paid quarterly on those Class A Units held at the end of the relevant quarter by clients of the registered dealer. Each registered dealer whose clients hold Class E Units is paid a service fee equal to 1.00% of the NAV, calculated and paid quarterly on those Class E Units held at the end of the relevant quarter by clients of the registered dealer. No service fee is payable on the Class F Units or the Class G Units.

The Investment Fund is also subject to fees and expenses of the underlying private equity investments, including management fees payable to managers of private equity funds and carried interest payments or other performance fees. These fees and expenses form part of the invested capital in such underlying private equity investments for the purpose of determining their performance, and generally will be recovered by the Investment Fund and other investors prior to the payment of Performance Fees or a carried interest to the manager of the underlying private equity investment.

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 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 Fund. Such management fee distributions will be made quarterly by the 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 entitlement to its management fee in respect of one Unitholder, it will not be bound to do so in respect of other Unitholders or subsequent Unitholders. For the period ended September 30, 2014 the management fees amounted to \$560,384 (plus 13% HST of \$72,850), of which \$nil remains payable at September 30, 2014. For the period ended September 30, 2013 the management fees amounted to \$460,681

KENSINGTON PRIVATE EQUITY FUND

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(plus 13% HST of \$59,889).

8. Financial Instruments and Risk Management

The Investment Fund's financial instruments consist of portfolio investments, interest receivable and accrued expenses. As a result, the Investment Fund is exposed to various types of risks that are associated with its investment strategies, its financial instruments and the markets in which it invests. The most important risks include market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Currency Risk

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which such securities are denominated. 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 does not make any speculative currency investments in the foreign exchange market.

Currency Risk

As at September 30, 2014, March 31, 2014 and April 1, 2013, the Investment Fund had direct exposure to the following currencies:

	September 30 2014		March 31 2014		April 1 2013	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	18,837,385	26.1%	16,138,399	23.6%	12,362,962	23.3%
U.S. Dollar forward contracts	(8,200,000)	-11.4%	(8,200,000)	-12.0%	(6,096,000)	-11.5%
Net U.S Dollar exposure	10,637,385	14.7%	7,938,399	11.6%	6,266,962	11.8%
Euro	3,711,658	5.1%	4,864,681	7.1%	4,096,405	7.7%

The U.S. Dollar forward contracts are used as a foreign currency hedge, to offset the currency risk exposure and market fluctuations.

The Manager has determined that based on the financial position of the Investment Fund as at September 30, 2014, if the Canadian dollar had strengthened or weakened by one percent in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$227,585 (March 31, 2014: \$128,031, April 1, 2013: \$105,500). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Investment Fund's direct investments in debt securities were only in those with a term to maturity of less than one year. The Investment Fund has minimal direct sensitivity to interest rates, since such securities are usually held to maturity and are short-term in nature. The Investment Fund may borrow an amount up to 25% of its total assets and thereby become exposed to interest rate risk. There were no borrowings as at September 30, 2014, March 31, 2014 or April 1, 2013.

KENSINGTON PRIVATE EQUITY FUND

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8. Financial Instruments and Risk Management (Continued)

Other Price Risk

The Investment Fund's portfolio investments, including those held through underlying funds and those held directly are susceptible to fluctuations in value caused by both industry and market conditions and the performance of the individual companies within the Private Equity investment portfolio.

The Investment Fund invests over a broad industry and geographic range. This allows the Investment Fund to gain the benefits of opportunities in many different areas and the diversification reduces the risk of loss in any one industry or region. By employing a process of in depth due diligence in selecting the underlying fund managers, and using similar standards for direct investments and secondary fund investments, the Manager attempts to significantly reduce the risk of poor performance.

In addition, the diversification strategy of investing in several different underlying funds, who in turn, invest in several different individual companies, minimizes the impact on the Investment Fund of any loss that may be realized in any one company.

The Manager has determined that based on the financial position of the Investment Fund as at September 30, 2014, if the value of the Investment Fund's private equity investments increased or decreased by five percent, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$3,288,309 (March 31, 2014: \$3,223,375, April 1, 2013: \$2,481,000). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it entered into with the Investment Fund. The Investment Fund limits credit loss by placing its cash and cash equivalents with high quality government and financial institutions. The Statement of Portfolio Investments details the credit parties to which the Investment Fund is exposed with the respective amounts as well as the total exposure of the Investment Fund. The credit ratings provided by Dominion Bond Rating Service of the Investment Fund's Liquid Investments as at September 30, 2014, March 31, 2014 and April 1, 2013 are as follow:

	September 30, 2014	March 31, 2014	April 1, 2013
AA	49.2%	88.9%	77.7%
R-1	0.0%	11.1%	2.6%
Not Rated	50.8%	0.0%	19.7%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage short-term cash flow requirements, the Investment Fund maintains all of its assets which are not invested in private equity investments in liquid investments which are readily convertible into cash. Unitholders may redeem Units on an annual redemption date. The Investment Fund has reserved sufficient liquid investments to fund its obligations for Units tendered for redemption.