



**KENSINGTON GLOBAL PRIVATE EQUITY FUND**

**MANAGEMENT REPORT ON FUND PERFORMANCE  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
MARCH 31, 2013**

**June 28, 2013**

*This annual management report of the performance of the Kensington Global Private Equity Fund (the "Investment Fund") contains financial highlights as well as the Investment Fund's annual financial statements for the year ended March 31, 2013. You may obtain a copy of the annual financial statements, 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](http://www.kcpl.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).*

## KENSINGTON GLOBAL PRIVATE EQUITY FUND

### MANAGEMENT REPORT OF FUND PERFORMANCE

Kensington Global Private Equity Fund (the “Investment Fund”) was created in 2007 to provide investors with access to a diversified portfolio of global 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 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 fiscal year ended March 31, 2013:

- The Investment Fund achieved record distributions to Unitholders of net realized gains from the sale of private equity investments:
  - A distribution of \$1.56 per Unit, or approximately \$4.2 million in aggregate, was declared and payable to Unitholders of record as of September 30, 2012; and
  - A distribution of \$2.13 per Unit, or approximately \$6.0 million in aggregate was declared and payable to Unitholders of record as of March 5, 2013.
- The Investment Fund continued to achieve realized portfolio gains on Underlying Investments, including through the sales of:
  - Shares of Pandora Media from the Walden VC II secondary fund and the Walden SPK direct investment; and
  - The sale of Developpement Demers Ambulances Inc. from the Novacap II secondary fund.
- The Investment Fund completed two new investments in Underlying Funds (Trivest V and Walden VIII) and one new Direct Investment (The 41<sup>st</sup> Parameter Inc.).
- The Net Asset Value (NAV) of the Investment Fund declined by approximately \$1.6 million (representing an average of \$0.56 per Unit), as determined on a total return basis without reflecting the impact of the distributions noted above.
- The Investment Fund created two new classes of Units, being the Class E Units and the Class G Units, and began issuing these Units on April 9, 2012.

Many of the private equity investments made by the Investment Fund in the initial period following its formation are now reaching maturity. At March 31, total fund assets of approximately \$53.2 million included \$5.8 million of unrealized gains. A portion of those gains consists of escrowed stock and increases in the value of investments from mark-to-market valuation adjustments. As the escrow provisions are released and these positions become fully realized gains over time, these profits are expected to become available for potential distribution to Unitholders. Additional gains may be achievable from the current portfolio if companies continue to perform and market conditions are favourable, while losses may be realized from the current portfolio where companies are not successful.

## ***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. As in prior periods, economic pressures in the Eurozone combined with a relatively weak U.S. recovery have caused many investors to pull back from equity markets 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 ongoing slow growth in the U.S. and the recession in Europe.

### ***Current Private Equity Market Conditions***

In reviewing global 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. The public markets have not been particularly receptive to initial public offerings, although stronger candidates can successfully complete IPOs under these conditions, 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 in to the market and continuation of the divestiture of mature portfolio positions.

Europe is a higher risk market with the slip into recession being a concern for all investors. Venture and growth investing in Europe have not traditionally been as rewarding as in North America, and the current economy is not encouraging. The buyout business continues to be hampered by European banking issues. The Manager is not currently pursuing new European commitments for the Investment Fund.

The Canadian market continues to benefit from a strong currency and a stable credit environment having emerged from the recession in a relatively strong position. In spite of this, Canada continues to be frequently overlooked by global 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.

### ***Summary***

The Manager currently views the Investment Fund to be in a strong position, with high demand for its inventory of maturing portfolio companies, and high demand for capital from compelling new opportunities. This circumstance of being in a position of strength when investing *and* when selling is not always the case, but it does occur during the recovery period following a recession. That is why strong returns can be achieved for private equity investments made in times like this. The Manager is optimistic about the near term future of the Investment Fund both from the standpoint of the values to be realized from mature investments and the prices to be paid for new ones.

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 because interest rates remain at historic lows and vendors are keen to sell at reasonable prices with memories of recession still vivid - fewer auctions and sufficient time for careful investment decisions. 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.

The biggest risk on the horizon is a new global recession, dragging both the North American economy and their private equity markets down with it. This risk is real, and represents the biggest threat to the continued growth of the value of the Investment Fund in the current year. From the perspective of Canadian investors, currency risk is also an important consideration in the context of the current global economic uncertainty.

Experienced private equity investors understand the need to continue investing from year to year. Unlike highly liquid public markets, investors cannot easily enter and exit the private equity flow. A steady program of investing, such as the program conducted by the Investment Fund, ensures that investors capture returns from new cyclical opportunities as they arise, while the diversification from a portfolio of multiple companies in various geographic regions across multiple industry sectors provides appropriate risk management.

## **OVERVIEW OF THE INVESTMENT FUND**

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

As of March 31, 2013, the Investment Fund had issued four classes of Units, Class A Units, Class F Units, Class E Units and Class G Units. As of June 28, 2013, the Investment Fund had issued net of redemptions and conversion 554,645 Class A Units, 57,094 Class F Units, 645,341 Class E Units and 1,768,907 Class G units for total net proceeds of \$60,355,832. 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 global 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 Amended and Restated 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 March 31, 2013 are set out below.

**By geographic region:**

		Cost	Fair Value
Canada	33% to 66%	<p>60%</p> <p>30%</p> <p>9%</p> <p>1%</p> <p>United States Rest of World Europe Canada</p>	<p>62%</p> <p>30%</p> <p>7%</p> <p>1%</p> <p>United States Rest of World Europe Canada</p>
United States	33% to 66%		
Europe	0% to 33%		
Rest of World	0% to 10%		

**By investment type:**

		Cost	Fair Value
Primary & Secondary Funds	50% to 75%	<p>60%</p> <p>40%</p> <p>Fund Direct</p>	<p>62%</p> <p>38%</p> <p>Fund Direct</p>
Direct Investments	25% to 50%		

**By sector:**

		Cost	Fair Value
Buyout	50% to 70%	<p>53%</p> <p>44%</p> <p>3%</p> <p>Buyout Venture/Growth Other</p>	<p>58%</p> <p>39%</p> <p>3%</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 prospectus qualifying the initial offering and the most recent Annual Information Form dated June 28, 2013. 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](http://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 a significant allocation 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 March 31, 2013, a total of \$64,790,300 has been committed to Underlying Investments with approximately 80% of the Underlying Investments being funded. The Investment Fund holds investments in 18 primary funds, two independent secondary fund portfolios, nine direct investments and three international funds of funds. The Investment Fund has also increased its initial investment in one primary fund through the purchase of two secondary positions in that fund from other investors. Over 950 private equity investment opportunities have been reviewed by the Manager since inception of the Investment Fund.

## SUMMARY OF INVESTMENT PORTFOLIO

The most significant private equity investments held by the Investment Fund at March 31, 2013 are set out below:

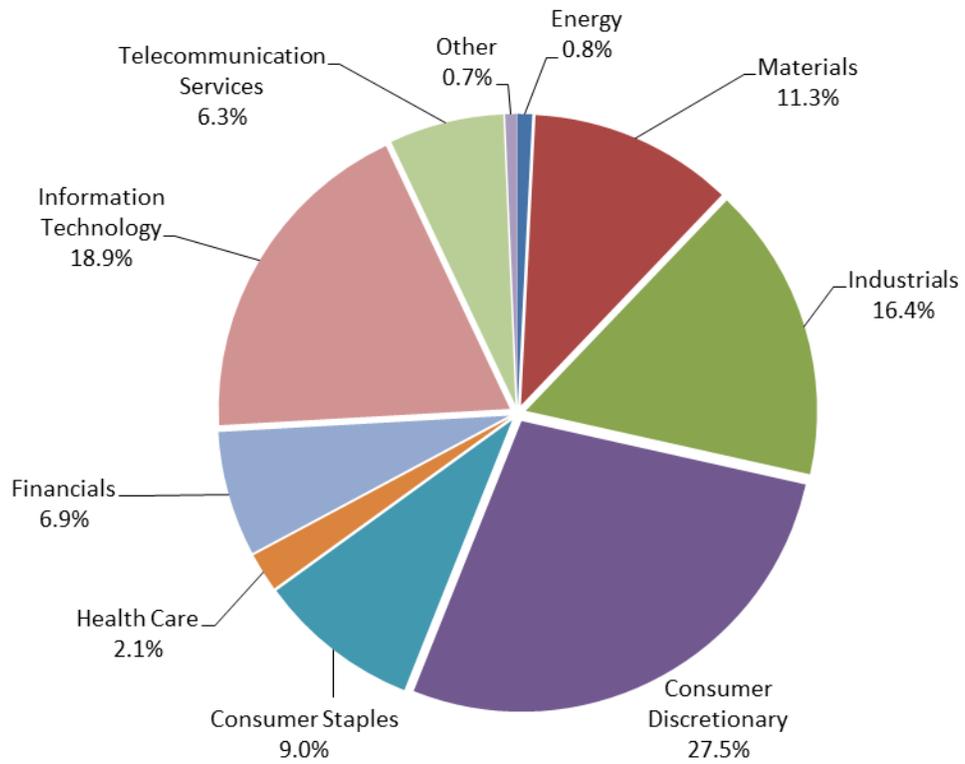
<b>Primary Funds</b>	<b>Commitment</b>	<b>Geographic Region</b>	<b>Sector</b>	<b>Commitment Date</b>
Novacap Industries III, L.P.	\$750,000	Quebec	Buyout	May-07
HarbourVest International Private Equity Partners V - Direct Fund	€ 2,000,000	Europe	Buyout	Jun-07
TriWest Capital Partners III L.P.	\$2,500,000	Western Canada	Buyout	Jun-07
Novacap Technologies III, L.P.	\$500,000	Central Canada	Venture/Growth	Jun-07
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
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
Oncap III L.P.	\$3,000,000	North America	Buyout	Aug-11
Whitecastle New Urban Fund 2 L.P.	\$3,000,000	Canada	Other	Feb-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	Dec-12
<b>Secondary Funds</b>	<b>Investment</b>	<b>Geographic Region</b>	<b>Sector</b>	<b>Commitment Date</b>
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
<b>Direct Investments</b>	<b>Investment</b>	<b>Geographic Region</b>	<b>Sector</b>	<b>Commitment Date</b>
Ceridian Corporation	US\$1,000,000	U.S.	Buyout	Nov-07
KMC Mining Corporation	\$1,850,917	Alberta	Buyout	Feb-08
Public Mobile Holdings Inc.	\$4,371,830	Ontario	Venture/Growth	Sep-08
D-Wave Systems Inc.	\$2,044,613	British Columbia	Venture/Growth	Nov-10
Protenergy Natural Foods Inc.	\$2,168,332	Ontario	Buyout	Sep-11
Blue Ant Media Inc.	\$4,000,000	Ontario	Venture/Growth	Dec-11
Walden Sprout Opportunities Fund - B, L.P. (SoundHound Inc.)	US\$335,097	U.S.	Venture/Growth	Apr-12
Georgian Partners Co-Invest Fund 2 L.P. (41st Parameter)	US\$999,999	U.S.	Venture/Growth	May-12
<b>International Funds of Funds</b>	<b>Commitment</b>	<b>Geographic Region</b>	<b>Sector</b>	<b>Commitment Date</b>
Nordea Private Equity II - European Middle Market Buyout K/S	€ 2,000,000	Europe	Buyout	May-07
HarbourVest Partners VIII - Buyout Fund L.P.	US\$850,000	U.S.	Buyout	Jun-07

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

In addition to the nine direct investments in private companies, the portfolio of the Investment Fund as of March 31, 2013, includes Underlying Investments in 158 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 portfolios. These companies are diversified across multiple industry sectors, as set out in the chart below.

# INDUSTRY WEIGHTINGS OF PRIVATE EQUITY INVESTMENTS

MARCH 31, 2013



## NET ASSET VALUE OF THE INVESTMENT FUND

### ***Underlying Investments:***

As at March 31, 2013, the Investment Fund held Underlying Investments in private equity totalling \$49,615,526, representing 94% of the NAV. During the year, certain private equity investments were realized by the Investment Fund, resulting in a shift from unrealized gains reported in prior years to realized gains in the current year. During the year, the Investment Fund distributed a total of \$10,136,123 in net realized gains to Unitholders. Excluding the impact of these distributions and net subscriptions of \$6,636,827, the net asset value of Underlying Investments declined by \$1,598,889 during the year.

### ***Liquid Investments:***

As at March 31, 2013, the Investment Fund held Liquid Investments totalling \$3,450,681, representing a decrease of \$3,237,083 over the \$6,687,764 of Liquid Investments held at March 31, 2012. At March 31, 2013, Liquid Investments comprised 6.6% of the NAV.

	March 31, 2013		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	\$ 244,303	\$ 244,303	0.5%
Kensington Hedge Fund 1	600,000	\$ 631,000	1.2%
Ontario Savings Bond Variable Rate (Par value CAD 2,160,000 due June 21, 2015)	2,160,000	\$ 2,180,934	4.1%
Ontario Savings Bond Variable Rate (Par value CAD 81,900 due June 21, 2013)	81,900	\$ 82,726	0.2%
Ontario Savings Bond Variable Rate (Par value CAD 100,000 due June 21, 2014)	306,551	\$ 311,718	0.6%
<b>Total</b>	<b>\$ 3,392,754</b>	<b>\$ 3,450,681</b>	<b>6.6%</b>

### ***Foreign Exchange:***

During the twelve months ended March 31, 2013, the Investment Fund recognized total foreign currency gains of \$110,663 including unrealized foreign exchange gains of \$145,253.

When the value of investments held in other currencies declines relative to the Canadian dollar, the amount of unfunded obligations of the Investment Fund in these same currencies also declines. This has the effect of increasing the available capital of the Investment Fund for additional new investments without the need to raise any additional capital or issue new Units.

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 twelve months ended March 31, 2013, a total of \$1,051,323 (plus 13% HST of \$136,672) was paid as management fees, and \$816,395 (plus 13% HST of \$106,131) was paid as performance fees by the Investment Fund. Additional expenses of \$1,290,075 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 twelve months ended March 31, 2013, 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 \$497,347 during the year, and have been included in the amount of \$1,290,075 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 twelve-month period ended March 31, 2013 as well as the last five years ended March 31, 2012, 2011, 2010, 2009 and 2008. The information is derived from the Investment Fund’s financial statements.

	For the year ended March 31, 2013				For the year ended March 31, 2012		For the year ended March 31, 2011		For the year ended March 31, 2010		For the year ended March 31, 2009		For the period from inception on April 20, 2007 to March 31, 2008	
	Class A Units	Class F Units	Class E Units	Class G Units	Class A Units	Class F Units	Class A Units	Class F Units						
Net Assets Per Unit, Beginning of year	\$ 22.64	\$ 23.08	\$ 23.33	\$ 23.33	\$ 21.17	\$ 21.45	\$ 18.55	\$ 18.72	\$ 19.35	\$ 19.44	\$ 20.18	\$ 20.23	\$ 20.00	\$ 20.21
(Decrease) increase from operations:														
Operating Income	0.25	0.23	0.16	0.21	0.13	0.12	0.18	0.18	0.06	0.06	0.20	0.20	0.20	0.06
Total expenses	(1.14)	(0.95)	(1.19)	(1.27)	(1.04)	(0.90)	(0.81)	(0.74)	(0.77)	(0.70)	(1.00)	(0.95)	(1.29)	(0.35)
Realized investment gains/(losses) for the year	3.20	2.92	1.98	2.64	0.50	0.57	2.06	2.11	(0.01)	(0.02)	0.01	0.01	0.06	-
Realized foreign exchange (losses)/gains for the year	(0.02)	(0.01)	(0.01)	(0.01)	(0.06)	(0.05)	(0.05)	(0.05)	(0.33)	(0.36)	0.12	0.14	(0.09)	-
Unrealized investment (losses)/gains for the year	(2.62)	(2.48)	(1.85)	(2.26)	2.47	2.32	1.38	1.44	1.50	1.82	(1.14)	(1.29)	0.86	(0.19)
Unrealized foreign exchange gains/(losses) for the year	0.05	0.06	0.03	0.06	0.19	0.16	(0.17)	(0.18)	(1.30)	(1.25)	0.99	1.06	0.44	0.51
Dilution Adjustment on conversions and new unit issuance	0.01	0.02	(0.33)	(0.42)	(0.04)	0.09	0.01	(0.01)	0.04	(0.04)	0.04	(0.04)	-	-
Total increase/(decrease) from operations	(0.27)	(0.21)	(1.21)	(1.05)	2.15	2.31	2.61	2.75	(0.80)	(0.49)	(0.79)	(0.87)	0.18	0.03
Distribution	(3.69)	(3.69)	(3.69)	(3.69)	(0.68)	(0.68)	-	-	-	-	-	-	-	-
Net Assets Per Unit, End of year	\$ 18.68	\$ 19.18	\$ 18.43	\$ 18.59	\$ 22.64	\$ 23.08	\$ 21.17	\$ 21.45	\$ 18.55	\$ 18.72	\$ 19.35	\$ 19.44	\$ 20.18	\$ 20.23

\*Class F units were created on February 1, 2008, Class E and G units were created April 9, 2012

## Ratios and Supplemental Data

	Year Ended March 31, 2013				Year Ended March 31, 2012		Year Ended March 31, 2011		Year Ended March 31, 2010		Year Ended March 31, 2009		Year Ended March 31, 2008*	
	Class A Units	Class F Units	Class E Units	Class G Units	Class A Units	Class F Units	Class A Units	Class F Units						
Net Asset Value	\$ 12,276,877	\$ 1,094,912	\$ 8,252,560	\$ 31,363,684	\$ 25,020,089	\$ 33,066,129	\$ 24,103,220	\$ 29,317,309	\$ 21,356,905	\$ 25,146,840	\$ 21,237,351	\$ 20,521,116	\$ 22,884,583	\$ 12,014,065
Units Outstanding	659,975	57,094	445,288	1,686,834	1,105,352	1,432,618	1,138,551	1,366,607	1,151,301	1,343,627	1,097,670	1,055,573	1,134,020	593,765
Management expense ratio % (1)	4.39%	4.04%	7.80%	6.01%	4.51%	4.11%	4.21%	3.80%	4.30%	3.90%	5.00%	4.70%	5.90%	14.70%
Portfolio turnover rate % (2)	23.12%	23.12%	23.12%	23.12%	11.59%	11.59%	22.06%	22.06%	0.10%	0.10%	0.10%	0.10%	2.30%	2.30%
Trading expense ratio % (3)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.04%	0.00%	0.00%	0.01%	0.01%	0.70%	0.70%

\*For the period from inception on April 20, 2007 to March 31, 2008 beginning April 16, 2012.

- (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 March 31, 2013	Unrecoverable MER March 31, 2012
Class A	3.5%	3.6%
Class F	3.2%	3.2%
Class E	7.0%	-
Class G	5.2%	-

- (2) In accordance with applicable accounting standards and securities laws, the Performance Fee earned by the Manager is included in the MER calculation even though it represents the Manager's share of profits distributed to Unitholders. During the year, the Investment Fund achieved record distributions of profits to Unitholders resulting in a Performance Fee equal to 2.5% of NAV. If the Investment Fund did not earn any profits, or if the Manager chose not to distribute earned profits to Unitholders, there would be no Performance Fee payable and these amounts would not be incurred as expenses of the Investment Fund forming part of the MER. The Manager believes that it is useful for Unitholders to see the "Core MER" of the Investment Fund, being the Unrecoverable MER minus the impact of the Performance Fee payable on the distribution of profits to Unitholders.

	Core MER March 31, 2013	Core MER March 31, 2012
Class A	3.5%	3.6%
Class F	3.2%	3.2%
Class E	4.2%	-
Class G	3.0%	-

- (3) The 2013 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 350-day period beginning April 16, 2012.
- (4) 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.

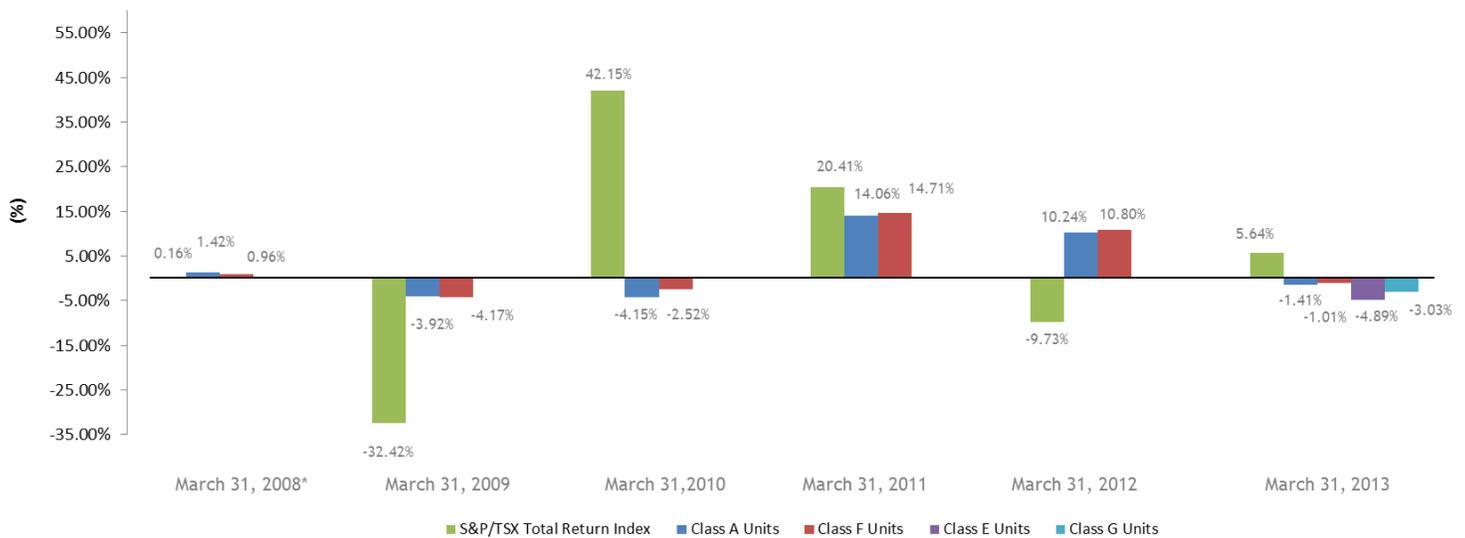
- (5) Trading expense ratio represents total transaction costs, including interest paid on committing capital to a fund subsequent to its initial close, expressed as an annualized percentage of the daily average net assets during the period.

## PAST PERFORMANCE

### Year-by-Year Returns:

The following bar charts show the performance of each class of Units of the Investment Fund for the last six 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.

### Year by Year Return



\* The year ended March 31, 2008 commenced on April 20, 2007 when the Investment Fund completed its initial offering of Units.

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

### Annual Compound Returns

The following table shows, for each class of Units, the annual compound total return for the years ending March 31, 2013.

	Class A Units	Class F Units	Class E Units	Class G Units	S&P/TSX
One Year	-1.41%	-1.01%	-4.89%	-3.03%	5.64%
Three Year	8.76%	12.44%	n/a	n/a	4.70%
Since Inception*	2.81%	5.15%	-4.89%	-3.03%	1.68%

\* The Annual Compound Returns since inception are calculated from the date of the initial offering (April 20, 2007) except for Class F Units which are calculated from the date of the first issuance of Class F Units (February 1, 2008), and Class E and G Units which are calculated from the date of the first issuance of Class E and G Units (April 9, 2012).

## **FUTURE ACCOUNTING STANDARDS**

As previously confirmed by the Canadian Accounting Standards Board (“AcSB”), most Canadian publicly accountable entities adopted International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board, on January 1, 2011. However, the AcSB has allowed investment funds to defer the adoption of IFRS until fiscal years beginning on or after January 1, 2014. Accordingly, the Investment Fund will adopt IFRS for its fiscal year beginning April 1, 2014.

## **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 GLOBAL PRIVATE EQUITY FUND**

**FINANCIAL STATEMENTS**

**March 31, 2013**

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## CONTENTS

### Financial Statements

Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2 - 3
Statement of Net Assets	4
Statement of Operations	5
Statement of Changes in Net Assets	6
Statement of Portfolio Investments	7
Notes to Financial Statements	8 - 16

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Kensington Global 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 Canadian generally accepted accounting principles 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 and the independent auditor's report.



Tom Kennedy  
Managing Director,  
Kensington Capital Advisors Inc.



Richard Nathan  
Managing Director,  
Kensington Capital Advisors Inc.

June 28, 2013

## **Independent Auditor's Report**

To the unitholders of  
Kensington Global Private Equity Fund

We have audited the accompanying financial statements of the Kensington Global Private Equity Fund which comprise the statement of portfolio investments as at March 31, 2013, the statements of net assets as at March 31, 2013 and 2012, and the statements of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kensington Global Private Equity Fund as at March 31, 2013 and 2012 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte LLP*

Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
June 28, 2013

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF NET ASSETS

As at March 31, 2013 and 2012

	March 31, 2013	March 31, 2012
	\$	\$
<b>Assets</b>		
Portfolio investments (Notes 3 & 4)	53,149,381	58,146,389
Interest receivable	206	400
Accounts receivable	26,997	16,242
Prepaid expenses	66,767	54,019
	<u>53,243,351</u>	<u>58,217,050</u>
<b>Liabilities</b>		
Accrued expenses	255,318	130,832
	<u>255,318</u>	<u>130,832</u>
<b>Net assets</b>	<u>52,988,033</u>	<u>58,086,218</u>

### NET ASSETS BY CLASS

	\$	\$
Class A	12,327,380	25,020,089
Class F	1,095,178	33,066,129
Class E	8,207,169	-
Class G	31,358,306	-
	<u>52,988,033</u>	<u>58,086,218</u>

### NUMBER OF UNITS OUTSTANDING (Note 5)

Class A	659,975	1,105,352
Class F	57,094	1,432,618
Class E	445,288	-
Class G	1,686,834	-
	<u>2,849,191</u>	<u>2,537,970</u>

### NET ASSETS PER UNIT BY CLASS

	\$	\$
Class A	18.68	22.64
Class F	19.18	23.08
Class E	18.43	-
Class G	18.59	-

The accompanying notes are an integral part of these financial statements

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF OPERATIONS

For the years ended March 31, 2013 and 2012

	2013	2012
	\$	\$
Investment income	601,115	321,199
Expenses		
Management fee (Note 7)	1,187,995	1,212,630
Performance fee (Note 7)	922,526	-
Expenses incurred by investee funds	497,347	497,193
Legal fees	177,337	277,026
Other expenses	151,358	103,509
Service fees	136,098	104,345
Board and committee fees	99,458	67,916
Custodian and transfer agent fees	91,301	80,850
Audit fees	68,131	47,004
Foreign withholding tax	39,100	5,402
Unitholders' communication	28,838	8,657
Other professional fees	1,083	36,273
Transaction costs	24	722
Total operating expenses	3,400,596	2,441,527
Net operating (loss)	(2,799,481)	(2,120,328)
Net realized gain on portfolio investments	7,604,262	1,360,311
Net change in unrealized (loss) gain on portfolio investments	(6,514,333)	6,056,539
Realized loss on foreign currency translation	(34,590)	(136,094)
Net change in unrealized gain on foreign currency translation	145,253	434,878
Total (decrease) increase from operations	(1,598,889)	5,595,306
(Decrease) increase in net assets from operations by Class	\$	\$
Class A	(191,572)	2,424,754
Class F	(13,792)	3,170,552
Class E	(354,813)	-
Class G	(1,038,712)	-
	<u>(1,598,889)</u>	<u>5,595,306</u>
(Decrease) increase in net assets from operations per unit by Class	\$	\$
Class A	(0.29)	2.19
Class F	(0.24)	2.21
Class E	(0.80)	-
Class G	(0.62)	-

The accompanying notes are an integral part of these financial statements

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF CHANGES IN NET ASSETS

For the years ended March 31, 2013 and 2012

	Class A		Class F		Class E		Class G		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Net assets, beginning of year	25,020,089	24,103,220	33,066,129	29,317,309	-	-	-	-	58,086,218	53,420,529
Class conversions	(10,261,571)	(819,300)	(31,786,818)	819,300	6,726,034	-	35,322,355	-	-	-
Capital contributions	483,757	644,102	38,695	690,000	3,231,284	-	3,044,866	-	6,798,602	1,334,102
Capital redemptions	(161,775)	(550,868)	-	-	-	-	-	-	(161,775)	(550,868)
Distributions	(2,561,548)	(781,819)	(209,036)	(931,032)	(1,395,336)	-	(5,970,203)	-	(10,136,123)	(1,712,851)
Decrease in assets from operations	(191,572)	2,424,754	(13,792)	3,170,552	(354,813)	-	(1,038,712)	-	(1,598,889)	5,595,306
<b>Net assets, end of year</b>	<b>12,327,380</b>	<b>25,020,089</b>	<b>1,095,178</b>	<b>33,066,129</b>	<b>8,207,169</b>	<b>-</b>	<b>31,358,306</b>	<b>-</b>	<b>52,988,033</b>	<b>58,086,218</b>

The accompanying notes are an integral part of these financial statements

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF PORTFOLIO INVESTMENTS

As at March 31, 2013

Description	Committed Amount / Shares/Units (Native currency)	Cost (CAD)	Estimated Fair Value (CAD)	
<b>Private Equity Investments (Note 4)</b>				
<b>Canadian</b>				
<b>Primary Fund</b>				
TriWest Capital Partners III, L.P.	CAD 2,500,000	1,798,440		
Georgian Partners Growth Fund I, LP	CAD 3,000,000	1,803,672		
Oncap III L.P.	CAD 3,000,000	888,127		
Kilmer Brownfield Equity Fund, L.P.	CAD 2,000,000	673,331		
Bedford Capital IVC, L.P.	CAD 500,000	299,739		
Whitecastle New Urban Fund 2 L.P.	CAD 3,000,000	851,353		
Novacap Industries III, LP	CAD 750,000	349,905		
Novacap Technologies III, LP	CAD 500,000	342,805		
Other Investments	CAD 7,500,000	1,583,440		
		\$ 8,590,812		
<b>Secondary Fund</b>				
Novacap II, L.P.	CAD 10,000,000	\$ 4,832,626		
<b>Direct Investments</b>				
KMC Mining Corporation	Partnership Units, 1,588,247	1,956,575		
Public Mobile Holdings Inc.	Preferred shares, 4,371,830	4,371,830		
D-Wave Systems Inc.	Preferred shares, 1,700,984	2,044,613		
Protenergy Natural Foods Inc.	Common shares, 10,063	2,168,332		
Blue Ant Media Inc.	Common shares 4,000,000	4,000,000		
		\$ 14,541,350		
<b>Total Canadian Investments</b>		\$ 27,964,788	\$ 33,156,159	62.6%
<b>European</b>				
<b>Primary Fund</b>				
HarbourVest International Private Equity Partners V - Direct Fund L.P.	€ 2,000,000	2,297,094		
Nordea Private Equity II - European Middle Market Buyout K/S	€ 2,000,000	2,130,983		
<b>Total</b>		\$ 4,428,077	\$ 4,096,405	7.7%
<b>U.S.</b>				
<b>Primary Fund</b>				
Trivest Fund IV, L.P.	USD 3,000,000	1,878,623		
Thomas H. Lee Equity Fund VI, L.P.	USD 1,200,000	885,465		
Walden Venture Capital VII, L.P.	USD 2,500,000	1,616,825		
HarbourVest Partners VIII - Buyout Fund L.P.	USD 850,000	515,164		
Other Investments	USD 8,150,000	107,486		
		\$ 5,003,563		
<b>Secondary Fund</b>				
WaldenVC II, L.P.	USD 5,000,000	\$ 2,844,210		
Trivest Fund IV, L.P.	USD 1,500,000	753,691		
		\$ 3,597,901		
<b>Direct Investments</b>				
Ceridian Corporation	Partnership Units, 1,000,000	944,740		
Walden Sprout Opportunities Fund B (SoundHound Inc.)	Partnership Units, 335,097	336,478		
Georgian Partners Co-Invest Fund 2 L.P. (41st Parameter)	Partnership units, 1,000,000	1,004,919		
Other Investments	Partnership Units, 665,352	651,555		
		\$ 2,937,692		
<b>Total U.S. Investments</b>		\$ 11,539,156	\$ 12,362,962	23.3%
<b>Total Private Equity Investments</b>		\$ 43,932,021	\$ 49,615,526	93.6%
<b>Liquid Investments</b>		3,392,753	3,450,681	6.6%
Foreign currency forward contract - US \$6,200,000 Settlement date December 13, 2013 @ 96.49		-	83,174	0.1%
<b>TOTAL PORTFOLIO INVESTMENTS</b>		\$ 47,324,774	\$ 53,149,381	100.3%
Other assets net of accrued liabilities			(161,348)	-0.3%
<b>NET ASSETS</b>			\$ 52,988,033	100.0%

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

---

### 1. Formation of the Investment Fund

Kensington Global Private Equity Fund (the "Investment Fund") was established under the laws of the Province of Ontario by a declaration of trust made as of April 11, 2007. The Investment Fund was created to provide Unitholders ("Unitholders") with access to a diversified portfolio of global private equity investments, including private equity funds, funds of private equity funds and direct investments in private companies.

The Investment Fund completed its initial public offering on April 20, 2007. On January 18, 2008, the Declaration of Trust was amended to create a second class of units known as Class F Units. On February 24, 2012 the Declaration of Trust was amended to create a third and fourth class of units, known as Class E Units and Class G Units, respectively.

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. However, if the units of the Investment Fund are not listed on the Toronto Stock Exchange on or before April 20, 2015, the Investment Fund will terminate on that date.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

These financial statements have been prepared by the Manager in accordance with Canadian generally accepted accounting principles. The significant accounting principles are as follows:

#### *Use of Estimates*

Financial statements prepared in accordance with Canadian generally accepted accounting principles 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 private equity 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.

#### *Portfolio Investments - Valuation of Investments*

Investments are carried at 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 values are based on the fair value of the underlying investments held by the funds. Fair value is defined and evaluated independently by each fund. 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.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

---

### 2. Significant Accounting Policies (Continued)

#### *Direct Investments - Valuation of Direct Investments*

Direct investments in public securities are recorded at fair value, established by the closing bid price 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.

#### *Short-term Investments - Valuation of Liquid Investments*

Short-term investments such as money market instruments and government treasury bills are valued at cost plus accrued interest which approximates fair value.

#### *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.

#### *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.

#### *Foreign Currency Translation*

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.

#### *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*

Canadian Institute of Chartered Accountants Handbook ("CICA Handbook") Section 1535 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.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

### 2. Significant Accounting Policies (Continued)

#### Future Accounting Standards

As previously confirmed by the Canadian Accounting Standards Boards ("AcSB"), most Canadian publicly accountable entities adopted International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board, on January 1, 2011. However, the AcSB has allowed investment funds to defer the adoption of IFRS until fiscal years beginning on or after January 1, 2014. Accordingly, the Investment Fund will issue financial statement in accordance with IFRS, including comparative information, for its fiscal year beginning April 1, 2014.

#### Fair Value Measurements

The Investment Fund follows CICA Handbook Section 3862 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.

A summary of the Investment Fund investments carried at fair value classified under the Framework as of March 31, 2013 can be found in Note 4.

### 3. Liquid 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.

	March 31, 2013				March 31 2012			
	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		\$ 244,303	\$ 244,303	0.5%		\$ 4,016,716	\$ 4,016,716	6.8%
Kensington Hedge Fund I		600,000	631,000	1.2%		100,000	100,278	0.1%
Ontario Savings Bond Variable Rate due June 21, 2015	\$ 2,160,000	2,160,000	2,180,934	4.1%	\$ 2,160,000	2,160,000	2,181,008	3.8%
Ontario Savings Bond Variable Rate due June 21, 2013	81,900	81,900	82,726	0.2%	81,900	81,900	82,729	0.1%
Ontario Savings Bond Variable Rate due June 21, 2014	300,000	306,550	311,718	0.6%	300,000	303,490	307,032	0.5%
<b>Total</b>		<b>\$ 3,392,753</b>	<b>\$ 3,450,681</b>	<b>6.6%</b>		<b>\$ 6,662,106</b>	<b>\$ 6,687,764</b>	<b>11.5%</b>

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

### 4. Investments

Description	March 31, 2013				March 31, 2012			
	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	14	356,836	395,692	0.7%	12	238,333	245,455	0.4%
Materials	6	1,807,692	5,617,302	10.6%	7	1,731,928	4,606,293	7.9%
Industrials	31	8,481,076	8,131,023	15.3%	27	8,075,437	9,446,202	16.3%
Consumer Discretionary	46	11,575,068	13,659,979	25.9%	52	10,778,904	18,277,468	31.5%
Consumer Staples	5	2,970,330	4,457,679	8.4%	5	2,452,603	3,484,243	6.0%
Health Care	10	1,093,494	1,063,308	2.0%	10	857,682	882,583	1.5%
Financials	20	3,364,318	3,442,187	6.5%	15	2,460,652	2,440,370	4.2%
Information Technology	48	9,160,288	9,371,550	17.7%	37	8,167,535	7,545,818	13.0%
Telecommunication Services	9	4,785,307	3,145,722	5.9%	5	4,389,858	4,379,876	7.5%
Other	3	337,612	331,084	0.6%	4	139,186	150,317	0.3%
<b>Total Private Equity Investments</b>	<b>192</b>	<b>43,932,021</b>	<b>49,615,526</b>	<b>93.6%</b>	<b>174</b>	<b>39,292,118</b>	<b>51,458,625</b>	<b>88.6%</b>

\* 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.

The following is a summary of the Investment Fund's investments, as at March 31, 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 March 31, 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
<b>Total</b>	<b>\$2,819,681</b>	<b>\$714,174</b>	<b>\$49,615,526</b>	<b>\$53,149,381</b>

#### Assets at fair value as at March 31, 2012

	Level 1	Level 2	Level 3	Total
Private Equity Investments <sup>1</sup>	\$888,944	-	\$50,569,681	\$51,458,625
Liquid Investments	\$6,587,486	\$100,278	-	\$6,687,764
<b>Total</b>	<b>\$7,476,430</b>	<b>\$100,278</b>	<b>\$50,569,681</b>	<b>\$58,146,389</b>

<sup>1</sup>During the year \$1,242,432 in securities were transferred from Level 3 to Level 1 because they began to be traded on the active market.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

---

### 4. Investments (Continued)

During the year ended March 31, 2013, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<b>Private Equity Investments</b>
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	(6,482,980)
Ending balance, March 31, 2013	\$49,615,526
Total change in unrealized appreciation during the year for assets held as at March 31, 2013	\$644,625

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, 2012, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	<b>Private Equity Investments</b>
Beginning balance, April 1, 2011	\$40,047,509
Purchases	7,828,993
Sales	(4,133,511)
Realized gains (losses) included in net income	1,224,217
Change in unrealized appreciation (depreciation) included in net income	6,844,905
Transfer to Level 1	(1,242,432)
Ending balance, March 31, 2012	\$50,569,681
Total change in unrealized appreciation during the year for assets held as at March 31, 2012	\$6,491,417

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

---

### 5. Units Outstanding

The following units were issued and redeemed for the year ended March 31:

	March 31, 2013				March 31, 2012			
	Class A	Class F	Class E	Class G	Class A	Class F	Class E	Class G
Balance beginning of year	1,105,352	1,432,618	-	-	1,138,551	1,366,607	-	-
Class conversions	(461,817)	(1,377,238)	299,419	1,546,219	(36,250)	35,651	-	-
Capital contribution	23,940	1,714	145,869	140,615	28,460	30,360	-	-
Capital redemption	(7,500)	-	-	-	(25,409)	-	-	-
Balance end of year	<u>659,975</u>	<u>57,094</u>	<u>445,288</u>	<u>1,686,834</u>	<u>1,105,352</u>	<u>1,432,618</u>	<u>-</u>	<u>-</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 and \$1,525,891 from 2012, expiring in 2028, 2029, 2031 and 2032, respectively.

### 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 Investment Advisor 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.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

---

### 7. Management Fees, Performance Fees and Other Expenses (Continued)

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 Trust 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 Trust. Such management fee distributions will be made quarterly by the Trust 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.

### 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.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

March 31, 2013

---

### 8. Financial Instruments and Risk Management (Continued)

#### Currency Risk

As at March 31, 2013 and March 31, 2012, the Investment Fund had direct exposure to the following currencies:

	March 31, 2013		March 31, 2012	
	Currency Exposure (\$)	Percentage of Net Assets (%)	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	12,362,962	23.3%	18,101,820	31.1%
U.S. Dollar forward contracts	(6,096,000)	(11.5%)	-	0.0%
Net U.S Dollar exposure	6,266,962	11.8%	18,101,820	31.1%
Euro	4,096,405	7.7%	4,044,243	7.0%

The Manager has determined that based on the financial position of the Investment Fund as at March 31, 2013, 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 \$105,500 (March 31, 2012: \$221,000). 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 March 31, 2013 or March 31, 2012.

#### 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.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

*March 31, 2013*

---

The Manager has determined that based on the financial position of the Investment Fund as at March 31, 2013, 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 \$2,481,000, (March 31, 2012: \$2,573,000). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

### 8. Financial Instruments and Risk Management (Continued)

#### *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 March 31, 2013 and March 31, 2012 are as follow:

	<u>March 31, 2013</u>	<u>March 31, 2012</u>
AA	77.7%	96.2%
R-1	2.6%	0.0%
Not Rated	<u>19.7%</u>	<u>3.8%</u>
Total	<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.

### 9. Subsequent Events

On May 23, 2013, the Board of Directors of Public Mobile Holdings Inc. approved a new financing and restructuring of the company's equity capital. The Manager decided that the Fund should not participate in the new financing, and as a result, has written down the value of the investment to \$nil.