KENSINGTON PRIVATE EQUITY FUND

FINANCIAL STATEMENTS

March 31, 2020

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 International Financial Reporting Standards (IFRS) 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.

"Thomas Kennedy"

Managing Director

Kensington Capital Advisors Inc.

"Suganya Tharmalingam"

Managing Director & Chief Financial Officer

Kensington Capital Advisors Inc.

June 30, 2020

KENSINGTON PRIVATE EQUITY FUND

TABLE OF CONTENTS

Financial Statements

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Independent Auditor's Report

To the Unitholders of
Kensington Private Equity Fund

Opinion

We have audited the financial statements of Kensington Private Equity Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2020 and 2019, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 26, 2020

KENSINGTON PRIVATE EQUITY FUND

STATEMENT OF FINANCIAL POSITION

As at March 31, 2020 and 2019

	March 31, 2020	March 31, 2019
	$	$
Assets		
Cash	**67,286,578**	23,870,263
Investments (Notes 3 & 4)	**462,568,131**	324,772,363
Accounts receivable	**657,325**	306,490
Prepaid expenses	**60,884**	72,977
	530,572,918	349,022,093
Liabilities		
Accrued expenses	**2,208,293**	743,982
	2,208,293	743,982
Net assets attributable to holders of redeemable units	**528,364,625**	348,278,111

Net assets attributable to holders of redeemable units	**$**	$
Class A	**3,955,630**	4,418,018
Class F	**472,651**	1,879,501
Class E	**28,564,709**	72,724,213
Class G	**416,463,144**	269,256,379
Class U	**21,305,500**	-
Class C	**57,602,991**	-
	528,364,625	348,278,111
Number of redeemable units issued and outstanding (Note 5)		
Class A	**149,795**	169,489
Class F	**16,535**	67,109
Class E	**1,240,088**	3,142,317
Class G	**16,110,606**	10,535,086
Class U	**794,213**	-
Class C	**2,226,454**	-
	20,537,691	13,914,001
Net assets attributable to holders of redeemable units per unit	**$**	$
Class A	**26.41**	26.07
Class F	**28.58**	28.01
Class E	**23.03**	23.14
Class G	**25.85**	25.56
Class U	**26.83**	-
Class C	**25.87**	-

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

KENSINGTON PRIVATE EQUITY FUND

STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2020 and 2019

	March 31 2020	March 31 2019
	$	$
Investment income	**6,998,839**	2,428,968
Net realized gain and distribution income on portfolio investments	**14,748,468**	43,608,181
Net realized gain on foreign currency translation	**600,982**	31,484
Net change in unrealized appreciation (depreciation) on portfolio investments	**18,287,083**	(6,294,194)
Net change in unrealized appreciation on foreign currency translation	**4,011,999**	898,126
Total operating income	**44,647,371**	40,672,565
Expenses (Note 7)		
Management fee (inclusive of HST)	**8,113,139**	5,368,318
Expenses incurred by investee funds	**5,321,558**	2,686,081
Performance fee	**3,458,262**	2,986,444
Service fees	**712,734**	782,009
Legal fees	**58,760**	164,256
Professional fees	**213,163**	203,951
Unitholders' communication	**223,589**	203,886
Custodian and transfer agent fees	**195,227**	165,366
Interest expense	**1,905**	1,828
Withholding (refunded) taxes from investee funds	**22,382**	(4,241)
HST expenses	**450,456**	-
Other expenses	**47,669**	50,576
Total operating expenses	**18,818,844**	12,608,474
Operating profit	**25,828,527**	28,064,091
Increase in net assets attributable to holders of redeemable units from operations	**25,828,527**	28,064,091
Increase in net assets attributable to holders of redeemable units from operations per class		
Class A	**205,997**	406,539
Class F	**61,574**	170,750
Class E	**1,839,555**	5,399,732
Class G	**20,443,049**	22,087,070
Class U	**1,738,558**	-
Class C	**1,539,794**	-
	25,828,527	28,064,091
Increase in net assets attributable to holders of redeemable units from operations per unit	**$**	$
Class A	**1.29**	2.26
Class F	**1.01**	2.77
Class E	**0.60**	1.81
Class G	**1.43**	2.50
Class U	**2.23**	-
Class C	**0.96**	-

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

KENSINGTON PRIVATE EQUITY FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
For the year ended March 31, 2020 and 2019

	Class A		Class F		Class E		Class G		Class U		Class C		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Beginning net assets attributable to holders of redeemable units, April 1	4,418,018	4,907,318	1,879,501	1,622,259	72,724,213	65,334,038	269,256,379	172,114,383	-	-	-	-	348,278,111	243,977,998
Capital conversions from holders of redeemable units	(512,840)	(604,352)	(1,461,991)	100,966	(47,559,726)	2,476,727	292,885	(1,973,341)	-	-	49,241,672	-	-	-
Capital contributions from holders of redeemable units	61,500	138,746	61,806	117,676	7,932,485	8,138,737	178,900,015	117,150,725	20,071,622	-	6,821,525	-	213,848,953	125,545,884
Capital redemptions to holders of redeemable units	(51,838)	(40,575)	-	-	(3,148,351)	(1,889,796)	(39,391,304)	(20,428,978)	(504,680)	-	-	-	(43,096,173)	(22,359,349)
Distributions to holders of redeemable units	(165,207)	(389,658)	(68,239)	(132,150)	(3,223,467)	(6,735,225)	(13,037,880)	(19,693,480)	-	-	-	-	(16,494,793)	(26,950,513)
Increase in net assets attributable to holders of redeemable units	205,997	406,539	61,574	170,750	1,839,555	5,399,732	20,443,049	22,087,070	1,738,558	-	1,539,794	-	25,828,527	28,064,091
Ending net assets attributable to holders of redeemable units, March 31	**3,955,630**	**4,418,018**	**472,651**	**1,879,501**	**28,564,709**	**72,724,213**	**416,463,144**	**269,256,379**	**21,305,500**	**-**	**57,602,991**	**-**	**528,364,625**	**348,278,111**

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

KENSINGTON PRIVATE EQUITY FUND

STATEMENT OF CASH FLOWS

For the year ended March 31, 2020 and 2019

	March 31, 2020	March 31, 2019
	$	$
Cash used in operating activities		
Increase in net assets attributable to holders of redeemable units from operations	**25,828,527**	28,064,091
Net change in unrealized (appreciation) depreciation on portfolio investments	**(18,287,083)**	6,294,194
Net change in unrealized appreciation on foreign currency translation	**(4,011,999)**	(898,126)
Net realized gain and distribution income on portfolio investments	**(14,748,468)**	(43,608,181)
Net realized gain on foreign currency translation	**(600,982)**	(31,484)
Net change in non-cash investing activities	**1,558,578**	(2,389,717)
Net change in non-cash working capital	**1,125,569**	(132,670)
Proceeds and return of capital from Private Equity investments	**32,175,700**	62,574,537
Purchase of Private Equity investments	**(167,107,252)**	(111,143,756)
Redemption (purchase) of short-term investment	**33,225,738**	(25,000,000)
Net cash used in operating activities	**(110,841,672)**	(86,271,113)
Cash provided by financing activities		
Capital contributions from holders of redeemable units	**213,848,953**	125,545,884
Capital redemptions to holders of redeemable units	**(43,096,173)**	(22,359,349)
Distributions paid to holders of redeemable units	**(16,494,793)**	(26,950,513)
Net cash provided by financing activities	**154,257,987**	76,236,022
Increase (decrease) in cash during the year	**43,416,315**	(10,035,091)
Cash, beginning of year	**23,870,263**	33,905,354
Cash, end of year	**67,286,578**	23,870,263

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

1. Formation of Kensington Private Equity Fund

Kensington Private Equity Fund ("KPEF") is an investment trust established under the laws of the Province of British Columbia. KPEF is the successor to Kensington Global Private Equity Fund ("Global Fund"), which was established in a public offering of units in April 2007. On September 17, 2014, Global Fund transferred substantially all of its assets and transitioned into KPEF. Accordingly, the historical results and other characteristics of Global Fund are presented in these financial statements as part of the historical results of KPEF. Effective April 1, 2016, KPEF's regulatory status changed from being an "Investment Fund" to a "Corporate Finance Issuer".

As of March 31, 2020, KPEF had issued six classes of Units, Class A Units, Class F Units, Class E Units, Class G Units, Class U Units and Class C Units. The six classes of units are collectively and interchangeably referred to herein as the "Units". Holders of Units are collectively referred to herein as the "Unitholders".

Kensington Capital Advisors Inc. is the Manager and Trustee of KPEF. The Manager is entitled to a management fee based on the net asset value ("NAV") of KPEF. 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 KPEF.

KPEF's registered office is at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, Canada.

The financial statements were authorized for issuance by the Manager on June 30, 2020.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit and loss ("FVTPL") which are measured at fair value.

KPEF 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 KPEF meets the definition of an investment entity as defined in IFRS 10.

2. Significant Accounting Policies (continued)

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 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.

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.

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. 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

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 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. 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.

Short-term and Other Investments (Liquid 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.

Cash

Cash is comprised of cash on hand and demand deposits with financial institutions. They are recorded at cost and represent fair value.

2. Significant Accounting Policies (continued)

Classification

KPEF classifies its financial assets and liabilities into the categories below in accordance with IFRS 9, *Financial Instruments*.

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. All financial assets through profit or loss are classified at fair value on the basis that they are part of a portfolio of financial assets which are managed and whose performance is evaluated on a fair value basis in accordance with investment strategies and risk management of KPEF. Financial assets classified at fair value through profit or loss include investments. Interest receivable and accounts receivable are carried at amortized cost, which approximates fair value given their short-term nature.

Financial liabilities classified at fair value through profit and loss

Financial liabilities are either classified at fair value through profit or loss or at amortized cost. The classification depends on (a) whether the financial liability meets the definition of held for trading or (b) upon initial recognition the financial liability is designated as at fair value through profit or loss. Accrued expenses are carried at amortized cost.

IFRS 9 replaced the incurred loss model in International Accounting Standards ("IAS") 39 with the expected credit loss model ("ECL"), as the new impairment model for financial assets carried at amortized cost. The Fund's financial assets measured at amortized cost consist of receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the receivables and high credit quality, this amendment has not had a material impact on the financial statements and these receivables are not considered impaired.

Functional and presentation currency

KPEF's functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. KPEF'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.

Investment Income

Income from investments includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income and interest income. Interest income is recorded on an accrual basis. Dividend income is recorded when declared and payable to KPEF. The difference between fair value and cost of investments is recorded as unrealized appreciation (depreciation) of portfolio investments. Realized gain and loss is recorded when paid or realized by KPEF.

2. Significant Accounting Policies (continued)

Classification of Redeemable Units Issued by KPEF

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 when they meet the criteria set up in IAS 32. KPEF's redeemable units do not meet the criteria in IAS 32 for classification for equity as they involve multiple contractual obligations on the part of KPEF and, therefore, have been classified as financial liabilities.

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. The related exchange gain or loss is recognized in net earnings.

Increase/Decrease in Net Assets Attributable to Holders of Redeemable Units from Operations per Unit

Increase/Decrease in net assets attributable to holders of redeemable units from operations per unit in the statement of comprehensive income represents the net increase/decrease in net assets attributable to holders of redeemable units by class from operations for the period divided by the average number of units outstanding during the period.

Capital Disclosures

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. KPEF's objectives, policies and processes are described in Note 1. Information on KPEF's Unitholders' equity is described in Note 5 and the Statement of changes in net assets. KPEF does not have any externally imposed capital requirements.

3. Cash, Short Term and Other Investments (Liquid Investments)

Capital held by KPEF 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 hedge funds (which are redeemable on a monthly basis) and other securities consistent with the overall objectives of liquidity, capital preservation and an appropriate return.

	March 31, 2020			March 31, 2019		
	Cost (CAD)	**Estimated Fair Value (CAD)**	**% of Fund's Net Assets**	**Cost (CAD)**	**Estimated Fair Value (CAD)**	**% of Fund's Net Assets**
Cash	67,286,578	67,286,578	12.7%	23,870,263	23,870,263	6.9%
Kensington Alternative Strategy Fund	19,547,836	21,810,107	4.1%	23,773,575	27,542,363	7.9%
GIC Investment	1,500,000	1,573,993	0.3%	30,500,000	30,906,493	8.9%
	88,334,414	**90,670,678**	**17.1%**	**78,143,838**	**82,319,119**	**23.7%**

4. Investments

Fair Value Measurements

KPEF follows IFRS 13 which requires KPEF 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.

The following is a summary of KPEF's investments, as at March 31, 2020 and March 31, 2019 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 3.

Assets at fair value as at March 31, 2020

	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	$436,108,170	$436,108,170
Public Equity Investments	$3,075,861	-	-	$3,075,861
Other Investment	-	$23,384,100	-	$23,384,100
Total	**$3,075,861**	**$23,384,100**	**$436,108,170**	**$462,568,131**

Assets at fair value as at March 31, 2019

	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	$266,323,507	$266,323,507
Other Investment	-	$58,448,856	-	$58,448,856
Total	**-**	**$58,448,856**	**$266,323,507**	**$324,772,363**

During the year ended March 31, 2020, $3,075,861 was transferred from Level 3 to Level 1. During the year ended March 31, 2019, there was no transfer into and out of the three levels.

4. Investments (continued)

During the year ended March 31, 2020, the reconciliation of investments measured at fair value using market price (Level 1) and unobservable inputs (Level 3) is presented as follows:

	Equity Investments
Beginning Balance, April 1, 2019	266,323,507
Purchases	167,107,252
Sales	(17,062,240)
Change in unrealized appreciation included in net income	22,815,512
Ending Balance, March 31, 2020	439,184,031

Total unrealized appreciation on investments still held as at March 31, 2020 was $78,658,347 (March 31, 2019: $55,842,835).

Description		Fair value at March 31, 2020		Fair value at March 31, 2019	Valuation technique	Unobservable inputs	Price range
Equity securities (Direct Investments)	$	292,147,477	$	142,195,458	Most recent private transations/EBITDA multiples	Transaction price	$1-$1000
Fund Investments	$	143,960,693	$	124,128,049	Net asset value provided by Investment Manager	-	-
Total	**$**	**436,108,170**	**$**	**266,323,507**			

KENSINGTON PRIVATE EQUITY FUND

NOTES TO FINANCIAL STATEMENTS

March 31, 2020 and 2019

5. Units Outstanding

The following units were issued and redeemed for the year ended March 31, 2020 and March 31, 2019:

	March 31, 2020						March 31, 2019			
	Class A	Class F	Class E	Class G	Class U	Class C	Class A	Class F	Class E	Class G
Balance Beginning of Year	169,489	67,109	3,142,317	10,535,086	-	-	188,795	58,734	2,761,372	6,708,915
Class Switches	(20,129)	(52,876)	(2,115,493)	11,878	-	1,956,444	(23,409)	3,809	104,607	(76,693)
Capital Contribution	2,470	2,302	354,256	7,141,819	815,171	270,010	5,762	4,566	363,305	4,756,205
Capital Redemption	(2,035)	-	(140,992)	(1,578,177)	(20,958)	-	(1,659)	-	(86,967)	(853,341)
Balance End of Year	149,795	16,535	1,240,088	16,110,606	794,213	2,226,454	169,489	67,109	3,142,317	10,535,086

6. Income Taxes

KPEF 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. KPEF 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, KPEF 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 KPEF.

7. Management Fees, Performance Fees and Other Expenses

KPEF 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. KPEF 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; 1.65% of the NAV of the Class E Units, Class G Units and Class U Units; and 1.00% of the NAV of the Class C 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 KPEF 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 KPEF which are distributed to holders of Class E Units, Class G Units, Class U Units and Class C Units. The performance fee will be equal to that amount which results in the Manager receiving 10% of the sum of the total amount payable as cash distributions.

7. Management Fees, Performance Fees and Other Expenses (continued)

The Manager cannot receive a performance fee unless KPEF makes cash distributions to Unitholders. For the Manager to receive the performance fee on the Class E Units, Class G Units, Class U Units and the Class C Units in any year, the NAV per unit of those classes 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, Class G Units, Class U and the Class C Units.

KPEF 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 KPEF 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 year ended March 31, 2020 the management fees amounted to $7,426,367 plus HST of $686,772 (March 31, 2019: $4,795,108 plus HST of $573,210), of which $nil remains payable at March 31, 2020.

8. Risk Management

KPEF’s financial instruments consist of portfolio investments, interest receivable and accrued expenses. As a result, KPEF 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 KPEF makes commitments to underlying investments in private equity which are denominated in currencies other than Canadian dollars, KPEF may acquire liquid investments in those same currencies to ensure its ability to fully fund those commitments over time. KPEF does not make any speculative currency investments in the foreign exchange market.

8. Risk Management (continued)

As at March 31, 2020 and March 31, 2019, KPEF had direct exposure to the following currencies:

	March 31, 2020		March 31, 2019	
	Currency Exposure ($)	Percentage of Net Assets (%)	Currency Exposure ($)	Percentage of Net Assets (%)
U.S. Dollar	171,969,587	32.5%	96,752,056	27.8%
Euro	4,975,231	0.9%	5,637,349	1.6%

The Manager has determined that based on the financial position of KPEF as at March 31, 2020, 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 $1,800,000 (March 31, 2019: $1,024,000). 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. KPEF's direct investments in debt securities were only in those with a term to maturity of less than one year. KPEF has minimal direct sensitivity to interest rates, since such securities are usually held to maturity and are short-term in nature. KPEF 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, 2020 and March 31, 2019

Other Price Risk

KPEF'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.

KPEF invests over a broad industry and geographic range. This allows KPEF 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 KPEF of any loss that may be realized in any one company.

The Manager has determined that based on the financial position of KPEF as at March 31, 2020, if the value of KPEF'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 $22,200,000 (March 31, 2019: $13,340,000). 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 KPEF. KPEF limits credit loss by placing its cash and cash equivalents with high quality government and financial institutions.

8. Risk Management (continued)

The credit ratings provided by Dominion Bond Rating Service of KPEF's Liquid Investments as at March 31, 2020 and March 31, 2019 are as follow:

	March 31, 2020	March 31, 2019
AA	75.9%	66.5%
Not Rated	24.1%	33.5%
Total	**100.0%**	**100.0%**

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, KPEF maintains all 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. KPEF has reserved sufficient liquid investments to fund its obligations for Units tendered for redemption.