KENSINGTON PRIVATE EQUITY FUND

Audited Financial Statements

FOR THE YEAR ENDED MARCH 31, 2021

2021

INTRODUCTION

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

Chairman
Kensington Capital Advisors Inc.

Alfred Chuang

Chief Financial Officer
Kensington Capital Advisors Inc.

June 29, 2021

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Deloitte.

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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 statements of financial position as at March 31, 2021 and 2020, 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, 2021 and 2020, 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.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 29, 2021

KENSINGTON PRIVATE EQUITY FUND

Statement of Financial Position

As at March 31, 2021 and March 31, 2020

Assets		
Cash	$ 48,853,974	$ 67,286,578
Investments (Notes 3 & 4)	891,265,847	462,568,131
Accounts receivable	7,809,038	657,325
Prepaid expenses	214,314	60,884
	948,143,173	530,572,918
Liabilities		
Accrued expenses	4,098,977	2,208,293
	4,098,977	2,208,293
Net assets attributable to holders of redeemable units	944,044,196	528,364,625

Net assets attributable to holders of redeemable units		
Class A	$ 4,892,303	$ 3,955,630
Class F	575,907	472,651
Class E	25,407,556	28,564,709
Class G	762,208,361	416,463,144
Class U	29,580,717	21,305,500
Class C	121,379,352	57,602,991
	944,044,196	528,364,625

Number of redeemable units issued and outstanding (Note 5)		
Class A	$ 147,708	$ 149,795
Class F	15,921	16,535
Class E	892,859	1,240,088
Class G	23,472,630	16,110,606
Class U	937,100	794,213
Class C	3,708,746	2,226,454
	29,174,964	20,537,691

Net assets attributable to holders of redeemable units per unit		
Class A	$ 33.12	$ 26.41
Class F	36.17	28.58
Class E	28.46	23.03
Class G	32.47	25.85
Class U	31.57	26.83
Class C	32.73	25.87

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

KENSINGTON PRIVATE EQUITY FUND

Statement of Comprehensive Income

For the years ended March 31, 2021 and March 31, 2020

	March 31, 2021	March 31, 2020
Investment income	$ 7,061,009	$ 6,998,839
Net realized gain and distribution income on portfolio investments	26,474,668	14,748,468
Net realized gain on foreign currency translation	9,368,065	600,982
Net change in unrealized appreciation on portfolio investments	205,408,373	18,287,083
Net change in unrealized (depreciation) appreciation on foreign currency translation	(16,023,801)	4,011,999
Total operating income	232,288,314	44,647,371
Expenses (Note 7)		
Management fee (inclusive of HST)	10,678,363	8,113,139
Expenses incurred by investee funds	4,926,855	5,321,558
Performance fee (inclusive of HST)	3,917,404	3,458,262
Service fees	249,830	712,734
Legal fees	372,795	58,760
Professional fees	259,826	213,163
Unitholders' communication	91,549	223,589
Custodian and transfer agent fees	377,450	195,227
Interest expense	23,551	1,905
Withholding taxes from investee funds	138,825	22,382
HST expenses	(922,716)	450,456
Other expenses	67,769	47,669
Total operating expenses	20,181,501	18,818,844
Operating profit	212,106,813	25,828,527
Increase in net assets attributable to holders of redeemable units from operations	$212,106,813	$ 25,828,527
Increase in net assets attributable to holders of redeemable units from operations per class		
Class A	$ 1,194,862	$ 205,997
Class F	140,996	61,574
Class E	5,918,440	1,839,555
Class G	171,849,880	20,443,049
Class U	5,439,217	1,738,558
Class C	27,563,418	1,539,794
	212,106,813	25,828,527
Increase in net assets attributable to holders of redeemable units from operations per unit		
Class A	$ 7.93	$ 1.29
Class F	8.82	1.01
Class E	6.45	0.60
Class G	8.91	1.43
Class U	6.40	2.23
Class C	9.41	0.96

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

KENSINGTON PRIVATE EQUITY FUND

Statement of Change in Net Assets Attributable to Holders of Redeemable Units

For the years ended March 31, 2021 and March 31, 2020

2021	Class A	Class F	Class E	Class G	Class U	Class C	Total
Beginning net assets	3,955,630	472,651	28,564,709	416,463,144	21,305,500	57,602,991	528,364,625
Conversions	(71,744)	(30,942)	(10,028,090)	808,520	-	9,322,256	-
Contributions	84,159	12,829	2,365,535	208,936,468	3,844,650	31,196,693	246,440,334
Redemptions	(80,365)	-	(255,910)	(14,452,233)	-	(1,029,697)	(15,818,205)
Distributions	(190,239)	(19,627)	(1,157,128)	(21,397,418)	(1,008,650)	(3,276,309)	(27,049,371)
Increase in net assets	1,194,862	140,996	5,918,440	171,849,880	5,439,217	27,563,418	212,106,813
Ending net Assets	**4,892,303**	**575,907**	**25,407,556**	**762,208,361**	**29,580,717**	**121,379,352**	**944,044,196**

2020	Class A	Class F	Class E	Class G	Class U	Class C	Total
Beginning net assets	4,418,018	1,879,501	72,724,213	269,256,379	-	-	348,278,111
Conversions	(512,840)	(1,461,991)	(47,559,726)	292,885	-	49,241,672	-
Contributions	61,500	61,806	7,932,485	178,900,015	20,071,622	6,821,525	213,848,953
Redemptions	(51,838)	-	(3,148,351)	(39,391,304)	(504,680)	-	(43,096,173)
Distributions	(165,207)	(68,239)	(3,223,467)	(13,037,880)	-	-	(16,494,793)
Increase in net assets	205,997	61,574	1,839,555	20,443,049	1,738,558	1,539,794	25,828,527
Ending net Assets	**3,955,630**	**472,651**	**28,564,709**	**416,463,144**	**21,305,500**	**57,602,991**	**528,364,625**

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

KENSINGTON PRIVATE EQUITY FUND

Statement of Cash Flows

For the years ended March 31, 2021 and March 31, 2020

	March 31, 2021	March 31, 2020
Cash used in operating activities		
Increase in net assets attributable to holders of redeemable units from operations	212,106,813	25,828,527
Net change in unrealized appreciation on portfolio investments	(205,408,373)	(18,287,083)
Net change in unrealized depreciation (appreciation) on foreign currency translation	16,023,801	(4,011,999)
Net realized gain and distribution income on portfolio investments	(26,474,668)	(14,748,468)
Net realized gain on foreign currency translation	(9,368,065)	(600,982)
Net realized gain on foreign currency contracts	622,915	-
Net change in non-cash investing activities	(2,459,946)	1,558,578
Net change in non-cash working capital	(5,414,459)	1,125,569
Proceeds and return of capital from Private Equity investments	59,391,802	32,175,700
Purchase of Private Equity investments	(225,025,182)	(167,107,252)
Purchase of short-term investment	(36,000,000)	33,225,738
Net cash used in operating activities	(222,005,362)	(110,841,672)
Cash provided by financing activities		
Capital contributions from holders of redeemable units	246,440,334	213,848,953
Capital redemptions to holders of redeemable units	(15,818,205)	(43,096,173)
Distributions paid to holders of redeemable units	(27,049,371)	(16,494,793)
Net cash provided by financing activities	203,572,758	154,257,987
(Decrease) increase in cash during the year	(18,432,604)	43,416,315
Cash, beginning of the year	67,286,578	23,870,263
Cash, end of the year	48,853,974	67,286,578

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

KENSINGTON PRIVATE EQUITY FUND

Notes to Financial Statements
March 31, 2021 and March 31, 2020

1. Formation of Kensington Private Equity Fund

Kensington Private Equity Fund ("KPEF" or "the Fund") 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, 2021, 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 29, 2021.

2. Significant Accounting Policies

Basis of Presentation
These financial statements have been prepared in accordance 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 Fund recognizes purchases and sales of investments on the trade date. Transactions pending settlement are reflected on the statement of financial position in other assets or in accounts payable and accrued liabilities. Investments in private equity funds are funded over time in response to capital calls from the private equity fund managers. Investments classified at FVTPL are initially recognized at fair value with transaction costs recorded as investment expenses in the statement of comprehensive income. Subsequent to initial recognition, investments classified at FVTPL are measured at fair value with changes in fair value reported in the statement of comprehensive income. The Fund further disaggregates net gains (losses) on investments into realized and unrealized components.

Valuation of Investments:

Fair values for most of the Fund's investments are measured using a combination of market, income approaches and reported values from private equity fund managers. Market approaches include 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. 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. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of public equity investments are based on bid prices for financial assets and ask prices for financial liabilities. The Fund categorizes its fair value measurements using a three-level fair value hierarchy in accordance with IFRS as described in note 4.

Short-term and Other Investments (Liquid investments)

Liquid investments consist of 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 short term nature of these securities. For investments in other funds, fair value is based on the net asset value of the underlying investee fund.

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

Financial assets are either classified at fair value through profit and loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI") 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. Accounts receivable are carried at amortized cost, which approximates fair value given their short-term nature.

Financial liabilities

Financial liabilities are either classified at fair value through profit or loss ("FVTPL") 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.

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 comprehensive income.

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 for distribution purposes is recorded on an accrual basis, based upon the stated coupon. 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.

KENSINGTON PRIVATE EQUITY FUND

Notes to Financial Statements
March 31, 2021 and March 31, 2020

2. Significant Accounting Policies (continued)

Classification of Redeemable Units Issued by KPEF

Financial Instruments: Presentation (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, 2021			March 31, 2020		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	48,853,974	48,853,974	5.2%	67,286,578	67,286,578	12.7%
Kensington Alternative Strategy Fund	35,547,836	43,866,690	4.6%	19,547,836	21,810,107	4.1%
GIC Investment	21,500,000	21,605,338	2.3%	1,500,000	1,573,993	0.3%
	105,901,810	**114,326,002**	**12.1%**	**88,334,414**	**90,670,678**	**17.1%**

KENSINGTON PRIVATE EQUITY FUND

Notes to Financial Statements
March 31, 2021 and March 31, 2020

4. Investments

Fair Value Measurements

Portfolio investments of KPEF are presented at fair value as determined by the General Partner, based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. Fair value is defined as the amount to be received to sell an asset in an orderly transaction with market participants at the reporting date.

A fair value measurement is made up of one or more inputs, which are the assumptions that market participants would make in valuing the asset or liability. The most reliable evidence of fair value is a quoted price in an active market. When this is not available, valuation approaches maximize use of relevant observable inputs and minimize the use of unobservable inputs. These inputs are classified using a three-level fair value hierarchy framework (the "Framework") that reflects the relative reliability of the inputs used in making the measurements. 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 that KPEF has the ability to access;
- 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) for identical or similar assets in markets that are not active or inputs other than quoted prices that are observable (for example: Interest rates, yield curves and credit spreads); and
- Level 3: inputs for the assets or liabilities that are not based on an observable market data, which are significant to the overall fair value assessment, requiring significant judgment by the General Partner

The categorization of the fair value measurement into one of the three levels is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input requires judgment, taking into account factors specific to the asset or liability. The following is a summary of KPEF's investments, as at March 31, 2021 and March 31, 2020 classified using the framework.

	Assets at fair value as at March 31, 2021			
	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	766,445,228	766,445,228
Public Equity Investments	59,348,591	-	-	59,348,591
Other Investment	-	65,472,027	-	65,472,027
Total	**59,348,591**	**65,472,027**	**766,445,228**	**891,265,847**

	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
Private 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**

KENSINGTON PRIVATE EQUITY FUND

Notes to Financial Statements
March 31, 2021 and March 31, 2020

4. Investments (continued)

During the year ended March 31, 2021, $55,800,796 was transferred out of Level 3 to level 1 investments. During the year ended March 31, 2020, $3,075,861 was transferred from Level 3 to Level 1.

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

	Private Equity Investments
Beginning Balance, April 1, 2021	436,108,170
Purchases	225,007,592
Sales	(24,171,984)
Change in unrealized appreciation included in net income	185,302,246
Transfer to Level 1	(55,800,796)
Ending Balance, March 31, 2021	766,445,228

	Private Equity Investments
Beginning Balance, April 1, 2020	266,323,507
Purchases	167,107,252
Sales	(17,062,240)
Change in unrealized appreciation included in net income	22,815,512
Transfer to Level 1	(3,075,861)
Ending Balance, March 31, 2020	436,108,170

Total unrealized appreciation on investments still held as at March 31, 2021 was $264,432,527 (March 31, 2020: $78,658,347).

4. Investments (continued)

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

The unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at March 31, 2021 are shown below.

Description	Input[1]	Sensitivity used[2]	Fair Value[3]	Weighted Average[4]	Impact[5]
Private equity funds - Buyout	Net asset value	+/- 2.0%	$78,778,065	77.3%	+/- 2.9%
		+/- 4.0%	$12,229,887	12.0%	
		+/- 8.0%	$10,915,760	10.7%	
Private equity funds - Growth	Net asset value	+/- 2.5%	$51,178,046	52.7%	+/- 4.2%
		+/- 5.0%	$36,306,343	37.4%	
		+/- 10.0%	$9,594,503	9.9%	
Private equity funds – Venture	Net asset value	+/- 3.0%	$18,789,316	25.2%	+/- 8.4%
		+/- 7.0%	$20,665,113	27.7%	
		+/- 12.0%	$35,227,930	47.1%	
Private equity direct investments	EV/EBTIDA or EV/Revenue	+/- 0.5x	$130,632,046	77.4%	+/- 11.4%
		+/- 1.0x	$26,601,884	15.8%	
		+/- 1.5x	$11,462,314	6.8%	
	Recent Financing	+0.5%/-0.0%	$202,599,897	64.2%	+1.9%/-0.8%
		+2.5%/-1.0%	$26,605,875	8.4%	
		+5.0%/-2.5%	$86,511,839	27.4%	
Total			$758,098,819		

1. Fund investment carrying values are recorded primarily on the basis of published net asset values from the private equity fund manager. Management reviews the reports and assesses its reasonableness.
2. In determining the sensitivity range, management considers a variety of factors including the private equity fund manager's strategy, track record and fund specific underlying holdings.
3. Fair values presented exclude foreign currency hedges. The fair market value of the portfolio's net investment hedged position is $8,346,409, bringing the total level 3 investments to $766,445,228.
4. Inputs were weighted based on the fair value of the investments included in the Sensitivity category
5. The impact presented is the directional change in the fair value of the Level III investments that would result from the corresponding increase or decrease in the unobservable input.

The fair value of private equity investments is valued initially based on the transaction price and may continue to be valued at cost for a significant time period after the acquisition, if this is determined to be the best indicator of fair value. Valuations may also be derived by reference to observable valuation measures for comparable companies or transactions, such as multiplying a key performance metric by a relevant valuation multiple. These multiples are derived from observable market data and private market data by applying assumptions on the comparability of the businesses, considering operational, market, financial and non-financial factors. KPEF may base the valuation on references to third-party investments or precedent transactions in comparable equity securities of the company, and other similarly situated companies, and will consider current average or median multiples as well as high and low ends of the comparative data set. After the valuation of a company is determined, the next step is to determine the value of the specific securities owned by KPEF.

Notes to Financial Statements
March 31, 2021 and March 31, 2020

5. Units Outstanding

The following units were issued and redeemed for the years ended March 31, 2021 and March 31, 2020:

	March 31, 2021						March 31, 2020					
	Class A	Class F	Class E	Class G	Class U	Class C	Class A	Class F	Class E	Class G	Class U	Class C
Beginning balance	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	-	-
Class Switches	(2,584)	(1,080)	(439,147)	28,845	-	364,535	(20,129)	(52,876)	(2,115,493)	11,878	-	1,956,444
Capital Contribution	3,338	466	102,411	7,854,155	142,887	1,155,814	2,470	2,302	354,256	7,141,819	815,171	270,010
Capital Redemption	(2,841)	-	(10,493)	(520,976)	-	(38,057)	(2,035)	-	(140,992)	(1,578,177)	(20,958)	-
Ending balance	147,708	15,921	892,859	23,472,630	937,100	3,708,746	149,795	16,535	1,240,088	16,110,606	794,213	2,226,454

The Fund is authorized to issue an unlimited number of transferable units of six classes, referred to as the Class A Units, the Class C Units, the Class E Units, the Class F Units, the Class G Units and the Class U Units and Units of any other class subsequently authorized by the Trustee, each of which represents an equal, undivided beneficial interest in the net assets of the Fund. No Unit of a class shall have any privilege, priority or preference in relation to any other Unit.

Class A and Class F Units are, subject to any qualification requirements, convertible into Class C, Class E, Class G or Class U Units. Class C, Class E, Class G and Class U Units are convertible into each of Class C, Class E, Class G and Class U Units (subject to any qualification requirements). The Class A Units and Class F Units are not available for distribution. Other than as set forth below, the period of time that a holder held any class of units prior to a conversion into another class of Units shall not be included in determining the amount of the redemption fee applicable on redemption of such units. The period of time that a holder held Class E, Class G or Class C Units prior to a conversion into Class E, Class G or Class C Units, as applicable, shall be included in determining the amount of the redemption fee applicable on redemption of such units. Class U Units and Class G Units are convertible into each other.

Holders of Class A Units or Class F Units may redeem such Units on an Annual Redemption Date for a redemption price per Unit equal to the NAV per Unit of the class determined on the Annual Redemption Date less a redemption fee of 10% of the NAV per Unit of the class, less any costs incurred by the Fund in funding the redemption, including commissions paid by the Fund.

Holders of Class C Units, Class E Units, Class G Units or Class U Units may redeem such Units on an Annual Redemption Date for a redemption price per Unit equal to the NAV per Unit of the class determined on the Annual Redemption Date less any costs incurred by the Fund in funding the redemption, including commissions paid by the Fund and less the applicable redemption fee. Holders of Class C Units may also redeem such Units on a Semi-Annual Redemption Date for a redemption price per Unit equal to the NAV per Class C Unit determined on the Semi-Annual Redemption Date less any costs incurred by the Fund in funding the redemption, including commissions paid by the Fund and less the applicable redemption fee.

KENSINGTON PRIVATE EQUITY FUND

Notes to Financial Statements
March 31, 2021 and March 31, 2020

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 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, 2021 the management fees amounted to $9,669,035 plus HST of $1,009,328 (March 31, 2020 $7,426,367 plus HST of $686,772), of which $nil remains payable at March 31, 2021.

KENSINGTON PRIVATE EQUITY FUND

Notes to Financial Statements
March 31, 2021 and 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

Foreign currency risk is the risk that the fair value or cash flows of a financial instrument or another asset or liability will fluctuate because of changes in foreign currency exchange rates and produce an adverse effect on earnings or equity when measured in a company's functional currency. 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 enter foreign currency hedging contracts to minimize the impact of foreign exchange fluctuations on the net asset value of the fund. The Fund does not make any speculative currency investments in the foreign exchange market. The Fund's foreign currency risk management objective is to mitigate the impact of foreign currency exchange rate fluctuations on total equity. The Fund monitors its invested assets for exposure to foreign currency risk and limits such exposure as deemed necessary. At the consolidated level the company accumulates and matches all significant asset and liability foreign currency exposures to identify net unmatched positions. To mitigate exposure to an unmatched position, the company may enter into long and short foreign currency forward to manage exposure on foreign currency denominated transactions. Class U net asset value is denominated in Canadian dollars but hedged to the EURO on a monthly basis. Class U net asset value is adjusted for the benefits and cost of these foreign exchange contracts.

As at March 31, 2021 and March 31, 2020, KPEF had direct exposure to the following currencies:

		March 31, 2021		March 31, 2020
	Currency Exposure ($)	Percentage of Net Assets (%)	Currency Exposure ($)	Percentage of Net Assets (%)
U.S. Dollar	359,725,417	38.1%	171,969,587	32.5%
Euro	2,486,741	0.3%	4,975,231	0.9%

The Manager has determined that based on the financial position of KPEF as at March 31, 2021, 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 $3,600,000 (March 31, 2020: $1,800,000). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

8. Risk Management (continued)

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 net assets and thereby become exposed to interest rate risk. There were no borrowings as at March 31, 2021 and March 31, 2020.

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. The Manager's investment screening, due diligence, investment decisioning and fund manager selection process is focused on creating investment portfolios that seek to generate attractive risk-adjusted returns.

In addition, the diversification strategy of investing in different private equity and venture funds, who in turn, invest in underlying individual companies across numerous industries, 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, 2021, 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 $41,000,000 (March 31, 2020: $22,200,000). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material. For additional sensitivity analysis, refer to note 4.

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. The credit ratings provided by Dominion Bond Rating Service of KPEF's Liquid Investments as at March 31, 2021 and March 31, 2020 are as follow:

	March 31, 2021	March 31, 2020
AA	61.6%	75.9%
Not Rated	38.4%	24.1%
Total	**100.0%**	**100.0%**

8. Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities. KPEF closely monitors its ongoing ability to meet cash flow commitments associated with financial instruments, such as capital calls. 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 reserves sufficient liquid investments to fund its obligations for Units tendered for redemption. Additionally, KPEF maintains a credit facility with a Schedule 1 bank that may be used for working capital and general corporate requirements in the ordinary course of business.

9. Global Pandemic, Economic and Market Conditions

KPEF's portfolio and the underlying companies in which it invests are materially affected by financial markets and economic conditions. In March 2020, the World Health Organization declared COVID-19 to be a pandemic and provincial governments declared a state of emergency due to the outbreak. Subsequently, the Government of Canada enacted the COVID-19 Emergency Response Act. In connection with these declarations, numerous measures were instituted that include limitations on public gatherings, stay-at-home order, quarantines, heightened border controls and limitations on travel. The outbreak of COVID-19 and the actions taken in response have had far reaching impact on economies, contributing to significant volatility in financial markets. Furthermore, some industries have been more impacted than others for example those characterized by high consumer discretionary spend patterns such as travel and tourism, automotive, property, construction and retail and consumer goods businesses. The duration and extent of the pandemic and related financial, social and public health impacts are uncertain. Management continues to monitor developments and assess the potential for adverse impact on its business, and has considered the uncertainties arising for the COVID-19 pandemic in preparation of its financial statements. The financial impact going forward will depend on evolving changes in government policy and business and consumer reactions.

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