



KENSINGTON PRIVATE  
EQUITY FUND

# Financial Statements

FOR THE NINE MONTHS ENDED December 31, 2023

# 2023

# KENSINGTON PRIVATE EQUITY FUND

## Management's Responsibility for Financial Reporting

# INTRODUCTION

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 Advisor Inc.

**Alfred Chuang**  
Chief Financial Officer  
Kensington Capital Advisor Inc.

February 14, 2024

# KENSINGTON PRIVATE EQUITY FUND



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# KENSINGTON PRIVATE EQUITY FUND

## Statement of Financial Position

As at December 31, 2023 and March 31, 2023

	December 31, 2023	March 31, 2023
<b>Assets</b>		
Cash	\$ 49,896,674	\$ 38,842,783
Investments (Notes 3 & 4)	1,947,739,856	2,001,544,600
Accounts receivable	4,625,545	7,330,107
Prepaid expenses	3,864,217	3,931,337
	<b>2,006,126,292</b>	<b>2,051,648,827</b>
<b>Liabilities</b>		
Accrued expenses	6,631,383	27,790,725
Loan payable (Note 5)	289,768,757	294,610,757
	<b>296,400,140</b>	<b>322,401,482</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>1,709,726,152</b>	<b>1,729,247,345</b>
<b>Net assets attributable to holders of redeemable units</b>		
Class A	\$ 4,132,961	\$ 4,625,276
Class F	680,091	636,547
Class E	33,216,735	35,029,272
Class G	1,180,591,427	1,210,525,576
Class U	23,083,059	23,427,331
Class C	456,826,927	443,348,760
Class M	11,194,952	11,654,583
	<b>1,709,726,152</b>	<b>1,729,247,345</b>
<b>Number of redeemable units issued and outstanding</b> (Note 6)		
Class A	128,312	125,065
Class F	18,783	15,536
Class E	1,277,692	1,140,042
Class G	37,452,068	33,444,977
Class U	791,472	686,942
Class C	14,081,302	11,996,470
Class M	336,251	311,629
	<b>54,085,880</b>	<b>47,720,661</b>
<b>Net assets attributable to holders of redeemable units per unit</b>		
Class A	\$ 32.21	\$ 36.98
Class F	36.21	40.97
Class E	26.00	30.73
Class G	31.52	36.19
Class U	29.16	34.10
Class C	32.44	36.96
Class M	33.29	37.40

The accompanying notes are an integral part of these financial statements

# KENSINGTON PRIVATE EQUITY FUND

## Statement of Comprehensive Income

For the three and nine months ended December 31, 2023 and December 31, 2022

	For the three months ended December 31, 2023	For the nine months ended December 31, 2023	For the three months ended December 31, 2022	For the nine months ended December 31, 2022
Investment income	\$ 3,126,959	\$ 6,000,607	\$ 1,243,096	\$ 6,482,298
Net realized gain on portfolio investments	37,065,534	58,867,855	14,031,966	41,769,236
Net realized (loss)/gain on foreign currency translation	(453,503)	1,695,112	462,318	647,196
Net realized gain/(loss) on foreign currency contracts	523,985	(13,642,765)	(18,282,447)	(32,708,752)
Net change in unrealized depreciation on portfolio investments	(36,891,279)	(55,221,016)	(19,268,441)	(110,038,604)
Net change in unrealized (depreciation)/appreciation on foreign currency translation	(13,142,649)	2,342,818	17,863,229	41,093,200
<b>Total operating (loss)/income</b>	<b>(9,770,953)</b>	<b>42,611</b>	<b>(3,950,279)</b>	<b>(52,755,426)</b>
Expenses (Note 8)				
Management fee (inclusive of HST)	7,226,399	21,262,835	7,473,320	21,442,394
Expenses incurred by investee funds	3,918,682	13,754,656	4,490,148	11,940,164
Performance fee (inclusive of HST)	1,737,410	6,373,218	(418,794)	(383,237)
Service fees	100,143	286,780	105,199	311,295
Legal fees	5,544	554,549	95,607	772,550
Professional fees	1,614,112	4,846,816	86,884	304,086
Unitholders' communication	78,987	275,938	(42,735)	128,309
Custodian and transfer agent fees	426,405	1,284,276	193,224	363,730
Interest expense	2,549,294	8,036,432	3,419,979	5,321,845
Withholding taxes from investee funds	-	599,523	501,246	501,246
HST expenses	302,762	452,656	189,310	326,336
Other expenses	17,237	55,205	23,773	70,581
<b>Total operating expenses</b>	<b>17,976,975</b>	<b>57,782,884</b>	<b>16,117,161</b>	<b>41,099,299</b>
<b>Operating loss</b>	<b>(27,747,928)</b>	<b>(57,740,273)</b>	<b>(20,067,440)</b>	<b>(93,854,725)</b>
<b>Decrease in net assets attributable to holders of redeemable units from operations</b>	<b>\$ (27,747,928)</b>	<b>\$ (57,740,273)</b>	<b>\$ (20,067,440)</b>	<b>\$ (93,854,725)</b>
Decrease in net assets attributable to holders of redeemable units from operations per class				
Class A	\$ (73,925)	\$ (161,135)	\$ (75,657)	\$ (308,632)
Class F	(11,405)	(21,997)	(9,499)	(39,701)
Class E	(663,757)	(1,486,241)	(586,651)	(2,340,958)
Class G	(19,986,601)	(41,562,479)	(17,118,346)	(71,488,412)
Class U	(51,514)	(1,092,402)	2,309,341	(938,874)
Class C	(6,836,599)	(13,220,312)	(4,521,701)	(18,423,554)
Class M	(124,127)	(195,707)	(64,927)	(314,594)
	<b>(27,747,928)</b>	<b>(57,740,273)</b>	<b>(20,067,440)</b>	<b>(93,854,725)</b>
Decrease in net assets attributable to holders of redeemable units from operations per unit				
Class A	\$ (0.58)	\$ (1.26)	\$ (0.58)	\$ (2.33)
Class F	(0.65)	(1.33)	(0.58)	(2.41)
Class E	(0.54)	(1.22)	(0.48)	(1.98)
Class G	(0.55)	(1.17)	(0.47)	(2.02)
Class U	(0.07)	(1.48)	2.30	(0.91)
Class C	(0.50)	(1.00)	(0.41)	(1.79)
Class M	(0.38)	(0.60)	(0.32)	(1.58)

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 nine months ended December 31, 2023 and December 31, 2022

<b>2023</b>								
	Class A	Class F	Class E	Class G	Class U	Class C	Class M	Total
Beginning net assets	4,625,276	636,547	35,029,272	1,210,525,576	23,427,331	443,348,760	11,654,583	1,729,247,345
Conversions	(86,571)	86,571	438,988	(14,782,933)	-	14,343,945	-	-
Contributions	193,630	37,959	3,368,511	148,673,541	3,258,567	70,522,603	847,964	226,902,775
Redemptions	-	-	-	-	-	(13,285,003)	-	(13,285,003)
Distributions	(438,239)	(58,989)	(4,133,795)	(122,262,278)	(2,510,437)	(44,883,066)	(1,111,888)	(175,398,692)
Decrease in net assets	(161,135)	(21,997)	(1,486,241)	(41,562,479)	(1,092,402)	(13,220,312)	(195,707)	(57,740,273)
<b>Ending net Assets</b>	<b>4,132,961</b>	<b>680,091</b>	<b>33,216,735</b>	<b>1,180,591,427</b>	<b>23,083,059</b>	<b>456,826,927</b>	<b>11,194,952</b>	<b>1,709,726,152</b>

  

<b>2022</b>								
	Class A	Class F	Class E	Class G	Class U	Class C	Class M	Total
Beginning net assets	5,043,324	684,090	36,383,223	1,240,279,737	34,809,991	320,630,899	7,313,681	1,645,144,945
Conversions	(177,222)	-	(428,641)	1,031,519	(1,387,328)	961,672	-	-
Contributions	-	-	2,590,462	108,054,153	344,600	99,326,346	124,160	210,439,721
Redemptions	-	-	-	-	-	(580,250)	-	(580,250)
Distributions	-	-	-	-	-	-	-	-
Decrease in net assets	(308,632)	(39,701)	(2,340,958)	(71,488,412)	(938,874)	(18,423,554)	(314,594)	(93,854,725)
<b>Ending net Assets</b>	<b>4,557,470</b>	<b>644,389</b>	<b>36,204,086</b>	<b>1,277,876,997</b>	<b>32,828,389</b>	<b>401,915,113</b>	<b>7,123,247</b>	<b>1,761,149,691</b>

The accompanying notes are an integral part of these financial statements

# KENSINGTON PRIVATE EQUITY FUND

## Statement of Cashflows

For the nine months ended December 31, 2023 and December 31, 2022

	December 31, 2023	December 31, 2022
<b>Cash used in operating activities</b>		
Decrease in net assets attributable to holders of redeemable units from operations	\$ (57,740,273)	\$ (93,854,725)
Net change in unrealized depreciation on portfolio investments	55,221,016	110,038,604
Net change in unrealized appreciation on foreign currency translation	(2,342,818)	(41,093,200)
Net realized gain on portfolio investments	(58,867,855)	(42,769,236)
Net realized gain on foreign currency translation	(1,695,112)	(647,196)
Net realized loss on foreign currency contracts	13,642,765	-
Net change in non-cash investing activities	(971,842)	1,547,672
Net change in non-cash working capital	(18,387,660)	(2,661,802)
Proceeds and return of capital from Private Equity investments	169,871,806	75,958,482
Purchase of Private Equity investments	(126,022,266)	(288,309,113)
Redemption of short-term investments	3,127,050	17,800,000
<b>Net cash used in operating activities</b>	<b>(24,165,189)</b>	<b>(262,990,514)</b>
<b>Cash provided by financing activities</b>		
Subscription received in advance	-	95,000
Capital contributions from holders of redeemable units	226,902,775	210,439,721
Capital redemptions to holders of redeemable units	(13,285,003)	(580,250)
Distributions paid to holders of redeemable units	(175,398,692)	-
Loan repaid	(3,000,000)	43,000,000
<b>Net cash provided by financing activities</b>	<b>35,219,080</b>	<b>252,954,471</b>
Increase / (decrease) in cash during the period	11,053,891	(10,036,043)
Cash, beginning of the period	38,842,783	16,202,447
<b>Cash, end of the period</b>	<b>49,896,674</b>	<b>6,166,404</b>

The accompanying notes are an integral part of these financial statements

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

### 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 December 31, 2023, KPEF had issued seven classes of Units: Class A Units, Class F Units, Class E Units, Class G Units, Class U Units, Class C Units and Class M Units. The seven 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 8.

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 February 14, 2024.

### 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.



# KENSINGTON PRIVATE EQUITY FUND

Notes to the Financial Statements  
December 31, 2023 and December 31, 2022

## 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. KPEF 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.

# KENSINGTON PRIVATE EQUITY FUND

Notes to the Financial Statements  
December 31, 2023 and December 31, 2022

## 2. Significant Accounting Policies (continued)

### Cash

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

### 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 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. Cash 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 ("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, subscription received in advance, and loan payable 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 the Financial Statements December 31, 2023 and December 31, 2022

### 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, 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

IFRS requires 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 6 and the Statement of changes in net assets. Externally imposed capital requirements are described in Note 5.

### 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, 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.

	December 31, 2023			December 31, 2022		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	49,896,674	49,896,674	2.9%	6,166,404	6,166,404	0.4%
Kensington Alternative Strategy Fund	21,644,421	27,346,344	1.6%	24,005,585	29,352,410	1.7%
GIC Investment	-	-	0.0%	1,500,000	1,609,189	0.1%
	<b>71,541,095</b>	<b>77,243,018</b>	<b>4.5%</b>	<b>31,671,989</b>	<b>37,128,003</b>	<b>2.2%</b>

# KENSINGTON PRIVATE EQUITY FUND

Notes to the Financial Statements  
December 31, 2023 and December 31, 2022

## 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 December 31, 2023 and December 31, 2022 classified using the Framework.

# KENSINGTON PRIVATE EQUITY FUND

Notes to the Financial Statements  
December 31, 2023 and December 31, 2022

## 4. Investments (continued)

<b>Assets at fair value as at December 31, 2023</b>				
	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	1,879,803,683	<b>1,879,803,683</b>
Public Equity Investments	40,589,829	-	-	<b>40,589,829</b>
Other Investment	-	27,346,344	-	<b>27,346,344</b>
<b>Total</b>	<b>40,589,829</b>	<b>27,346,344</b>	<b>1,879,803,683</b>	<b>1,947,739,856</b>

  

<b>Assets at fair value as at December 31, 2022</b>				
	Level 1	Level 2	Level 3	Total
Private Equity Investments	-	-	1,792,231,184	<b>1,792,231,184</b>
Public Equity Investments	39,469,915	-	-	<b>39,469,915</b>
Other Investment	-	30,961,599	-	<b>30,961,599</b>
<b>Total</b>	<b>39,469,915</b>	<b>30,961,599</b>	<b>1,792,231,184</b>	<b>1,862,662,698</b>

Total unrealized appreciation on investments still held as at December 31, 2023 was \$507,113,062 (December 31, 2022: \$438,247,250).

The following table presents the changes in fair value in the Level 3 assets:

	<b>Private Equity Investments</b>
<b>Beginning Balance, April 1, 2023</b>	<b>1,912,927,643</b>
Purchases	120,140,131
Sales	(169,871,806)
Change in unrealized appreciation included in net income	16,607,715
Transfer to Level 1	-
<b>Ending Balance, December 31, 2023</b>	<b>1,879,803,683</b>

  

	<b>Private Equity Investments</b>
<b>Beginning Balance, April 1, 2022</b>	<b>1,554,079,099</b>
Purchases	288,309,113
Sales	(75,958,482)
Change in unrealized appreciation included in net income	43,180,919
Transfer to Level 1	(17,379,465)
<b>Ending Balance, December 31, 2022</b>	<b>1,792,231,184</b>

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

### 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 December 31, 2023 and December 31, 2022 are shown below.

<b>December 31, 2023</b>					
<b>Description</b>	<b>Input<sup>1</sup></b>	<b>Sensitivity used<sup>2</sup></b>	<b>Fair Value<sup>3</sup></b>	<b>Weighted Average<sup>4</sup></b>	<b>Impact<sup>5</sup></b>
Private equity funds - Buyout	Net asset value	+/- 3.0%	\$334,171,953	90.9%	
		+/- 5.0%	\$15,581,441	4.2%	3.4%
		+/- 9.0%	\$17,835,207	4.9%	
Private equity funds - Growth	Net asset value	+/- 3.5%	\$115,782,342	55.2%	
		+/- 6.0%	\$83,028,849	39.6%	4.9%
		+/- 11.0%	\$10,934,066	5.2%	
Private equity funds – Venture	Net asset value	+/- 4.5%	\$98,629,350	37.3%	
		+/- 8.0%	\$121,901,965	46.2%	7.6%
		+/- 13.5%	\$43,581,874	16.5%	
Private equity direct investments	EV/EBTIDA or EV/Revenue	+/- 1.0x	\$190,085,208	49.5%	
		+/- 1.5x	\$127,066,097	33.1%	0.8x
		+/- 2.0x	\$67,200,000	17.5%	
	Recent Financing	0.5%/0.0%	\$491,006,974	76.0%	
		2.5%/-1.0%	\$11,866,756	1.8%	+1.5%/-0.6%
		5.0%/-2.5%	\$142,997,492	22.1%	
<b>Total</b>			<b>\$1,871,669,576</b>		

# KENSINGTON PRIVATE EQUITY FUND

Notes to the Financial Statements  
December 31, 2023 and December 31, 2022

December 31, 2022

Description	Input <sup>1</sup>	Sensitivity used <sup>2</sup>	Fair Value <sup>3</sup>	Weighted Average <sup>4</sup>	Impact <sup>5</sup>
Private equity funds - Buyout	Net asset value	+/- 3.0%	\$290,177,667	88.2%	
		+/- 5.0%	\$21,644,620	6.6%	+/- 3.4%
		+/- 9.0%	\$17,149,072	5.2%	
Private equity funds - Growth	Net asset value	+/- 3.5%	\$126,592,203	56.5%	
		+/- 6.0%	\$86,427,769	38.6%	+/- 4.8%
		+/- 11.0%	\$10,910,877	4.9%	
Private equity funds – Venture	Net asset value	+/- 4.5%	\$102,627,196	41.9%	
		+/- 8.0%	\$91,559,852	37.4%	+/- 7.7%
		+/- 13.5%	\$50,945,494	20.8%	
Private equity direct investments	EV/EBTIDA or EV/Revenue	+/- 0.5x	\$163,116,889	69.6%	
		+/- 1.0x	\$24,364,179	10.4%	+/- 0.8%
		+/- 1.5x	\$46,738,531	20.0%	
	Recent Financing	0.5%/0.0%	\$574,502,170	72.3%	
		2.5%/-1.0%	\$16,695,794	2.1%	+1.7%/-0.7%
		5.0%/-2.5%	\$203,315,761	25.6%	
Total			\$1,826,768,073		

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 \$8,134,107, (December 31, 2022: -\$34,536,870) bringing the total Level 3 investments to \$1,879,803,683 (December 31, 2022: \$1,792,231,184).
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 3 investments that would result from the corresponding increase or decrease in the unobservable input.

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

### 4. Investments (continued)

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.

### 5. Loan Payable

KPEF has established a revolving credit facility of \$150,000,000 with Canadian Imperial Bank of Commerce. The indebtedness is secured by the portfolio of assets of KPEF. The borrowing under this credit facility is subject to interest at Canadian Imperial Bank of Commerce's Prime Lending Rate plus 1.75% per annum. The facility requires the Fund to maintain its Net Asset Value of not less than \$850,000,000. As at December 31, 2023, the balance on the revolving credit facility was \$0 (December 31, 2022: \$108,000,000).

The Fund entered into a promissory note of \$210,412,757 with Bedford Capital IVC LP on March 9, 2023. The promissory note bears no interest. Repayment of this note will be in conjunction with a distribution from the limited partnership for the same amount scheduled in January 2024.

In March 2023, KPEF has arranged a credit agreement with Crestline on a secured term loan facility of US\$120,000,000 with an interest rate of Term SOFR plus Applicable Margin and any applicable LTV Premium. As of December 31, 2023, KPEF has an outstanding balance of US\$60,000,000 or CAD\$79,356,000 with an interest rate of 12.39%. KPEF is subject to maintenance covenants such as Net Loan to Total Investment Asset Value (TIAV) ratio of not greater than 1:4, net redemption per fiscal year of less than \$175,000,000 and maintaining minimum liquidity of \$50,000,000. KPEF is in full compliance.



# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

### 6. Units Outstanding

The following units were issued and redeemed for the six months ended December 31, 2023 and December 31, 2022:

#### December 31, 2023

	Class A	Class F	Class E	Class G	Class U	Class C	Class M
Beginning balance	125,065	15,536	1,140,042	33,444,977	686,942	11,996,470	311,629
Class Switches	(2,500)	2,239	15,504	(438,395)	-	416,052	-
Capital Contribution	5,747	1,008	122,146	4,445,486	104,530	2,053,534	24,622
Capital Redemption	-	-	-	-	-	(384,754)	-
Ending balance	128,312	18,783	1,277,692	37,452,068	791,472	14,081,302	336,251

#### December 31, 2022

	Class A	Class F	Class E	Class G	Class U	Class C	Class M
Beginning balance	133,894	16,465	1,145,322	33,517,031	1,038,956	8,537,796	196,361
Class Switches	(5,000)	-	(14,007)	28,860	(45,648)	26,336	691
Capital Contribution	-	-	85,747	3,052,822	10,873	2,759,879	3,429
Capital Redemption	-	-	-	-	-	(16,098)	-
Ending balance	128,894	16,465	1,217,062	36,598,713	1,004,181	11,307,913	200,481

KPEF is authorized to issue an unlimited number of transferable units of seven classes, referred to as the Class A Units, the Class C Units, the Class E Units, the Class F Units, the Class G Units, the Class U Units, the Class M Units as well as Units of any other classes 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.

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

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, Class U Units or Class M 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.

### **7. Income Tax**

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.

### **8. 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.

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

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.

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, G, U, C and M 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 nine months ended December 31, 2023, the management fees amounted to \$19,090,353 plus HST of \$2,172,482 (December 31, 2022: \$19,265,404 plus HST of \$2,176,990), of which \$nil remains payable at December 31, 2023 (December 31, 2022: \$0).

### 9. Risk Management

KPEF's financial instruments consist of cash, portfolio investments and loan payable. 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.

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

### 9. Risk Management (continued)

#### 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 KPEF accumulates and matches all significant asset and liability foreign currency exposures to identify net unmatched positions. To mitigate exposure to an unmatched position, KPEF may enter into long and short foreign currency forward or option contracts 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 December 31, 2023 and December 31, 2022, KPEF had direct exposure to the following currencies:

	December 31, 2023		December 31, 2022	
	Currency Exposure (C\$)	Percentage of Net Assets (%)	Currency Exposure (C\$)	Percentage of Net Assets (%)
U.S. Dollar	1,007,536,948	58.9%	998,017,590	56.7%
Euro	22,664,739	1.3%	16,993,020	1.0%

The Manager has determined that based on the financial position of KPEF as at December 31, 2023, 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 \$10,300,000 (December 31, 2022: \$10,150,000). 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 are at fixed rates. KPEF may borrow an amount up to 25% of its gross assets per the Declaration of Trust. The impact of every 1% change in interest rate would change the interest expense by \$793,560 annually based on the outstanding principal of \$79,356,000 of senior term loan facility with Crestline as outlined in Note 5.

# KENSINGTON PRIVATE EQUITY FUND

## Notes to the Financial Statements December 31, 2023 and December 31, 2022

### 9. Risk Management (continued)

#### 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, which 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 December 31, 2023, 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 \$97,387,000 (December 31, 2022: \$91,600,000). 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 December 31, 2023 and December 31, 2022 are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
AA	64.6%	20.9%
Not Rated	35.4%	79.1%
Total	100.0%	100.0%

# KENSINGTON PRIVATE EQUITY FUND

Notes to the Financial Statements  
December 31, 2023 and December 31, 2022

## 9. 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 semi-annual or annual redemption dates. 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 as well as a term loan facility that may be used for working capital and general corporate requirements in the ordinary course of business.

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# CONTACT

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The management discussion and analysis of the Kensington Private Equity Fund contains financial highlights as well as the financial statements for the nine months ended December 31, 2023. You may obtain a copy of the financial statements and the annual information form at your request, and at no cost, by calling 416-362-9000 or toll free at 1-855-362-9329, by writing 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). Additional information relating to the Kensington Private Equity Fund is on SEDAR at [www.sedar.com](http://www.sedar.com).