



**ANNUAL INFORMATION FORM**

**For the year ended March 31, 2009**

**June 29, 2009**

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## **THE INVESTMENT FUND**

### **Name and Formation**

Kensington Global Private Equity Fund (the “Investment Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust, dated April 11, 2007, which was subsequently amended and restated on January 18, 2008 (the “Amended and Restated Declaration of Trust”) to create Class F Units.

The Investment Fund’s principal place of business and registered office is located at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario M4V 1N6.

### **Status of the Investment Fund**

The Investment Fund is not a “mutual fund” for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the units (as defined below) and restrictions imposed on mutual funds under Canadian securities laws, including National Instrument 81-102 - Mutual Funds (“NI 81-102”), do not apply to the Investment Fund.

## **DESCRIPTION OF THE BUSINESS**

### **Issue of Units**

The Investment Fund completed an initial public offering (the “Initial Offering”) on April 20, 2007, issuing 1,134,020 units (“Units”) represented by instalment receipts at a subscription price of \$20.00 per Unit for total proceeds of \$22,680,400. In the Initial Offering, Unitholders had the opportunity to pay the subscription price in two instalments, with \$10.00 payable upon closing, and the remaining \$10.00 (the “Second Instalment”) payable on or before December 5, 2007 (the “Second Instalment Date”). The Second Instalment was paid to the Investment Fund on the Second Instalment Date and all Units issued pursuant to the Initial Public Offering are now fully paid. On January 1, 2009 the Investment Fund redeemed 48,750 Units for a total redemption price of \$1,006,200 paid to redeeming unit holders. On March 17, 2009 an additional 12,400 units were issued for \$248,124. On May 26, 2009 an additional 87,506 units were issued for \$1,645,112.80. As at June 30, 2009 the Investment Fund had 1,185,176 Units outstanding.

The Investment Fund entered into a subscription agreement on February 1, 2008 to issue 1,088,570 Class F Units (the “Class F Units”) at a price of \$20.21 per Class F Units, to an institutional investor in separate tranches for aggregate subscription proceeds of \$22,000,000 (the “Private Placement”). To date, the Investment Fund has issued 346,363 Class F Units on February 1, 2008, 247,402 Class F Units on March 6, 2008, 247,402 Class F Units on April 3, 2008 and 49,480 Class F Units on May 1, 2008, 98,961 Class F Units on June 5, 2008, 49,481 Class F Units on January 23, 2009, and 24,740 Class F Units on June 11, 2009. As at June 30, 2009 the Investment Fund had issued 1,063,829 Class F Units pursuant to the Private Placement.

On April 3, 2008 an additional 1,484 Class F Units were issued for \$30,000, on March 17, 2009 15,000 Class F Units were issued for \$301,500, on May 26, 2009 15,872 Class F Units were issued for \$299,980.80, and on June 11, 2009 6,653 Class F Units were issued for \$124,278.04. As at June 30, 2009 the Investment Fund had issued 1,102,838 Class F Units.

The Units and Class F Units are collectively and interchangeably referred to herein as the “units”. Holders of Units and Class F Units are collectively referred to herein as the “Unitholders”.

## **Investment Objective and Strategy**

The Investment Fund’s investment objective is to maximize long-term total returns for Unitholders through distributions of net income and net realized capital gains from private equity investments identified by the manager and the investment advisor (“Underlying Investments”), which will include private equity funds and funds of funds (“Underlying Funds”) and direct investments in private companies. Capital held by the Investment Fund pending investment in private equity investments is invested in a variety of financial products such as cash and cash equivalents, government securities, money market instruments and investment-grade securities, as well as listed securities of private equity funds and other securities consistent with the overall objectives of liquidity, capital preservation and an appropriate return (“Liquid Investments”).

In order to achieve the investment objective, the Investment Fund invests in selected private equity funds and directly in private equity opportunities managed by experienced private equity fund managers that have strong track records and whose own financial interests are closely aligned with those of their investors. The Investment Fund seeks to diversify by developing a global portfolio of private equity fund investments including private equity funds focused on a variety of target investment classes and at various stages of their business life cycle.

## **Investment Restrictions**

The investment activities of the Investment Fund will be conducted in accordance with its investment objective and strategy. In addition, the Investment Fund is subject to certain investment restrictions which, among other things, limit the securities and investments the Investment Fund may acquire to comprise its portfolio. The Investment Fund’s investment restrictions may not be changed without the approval of the Unitholders by a two-thirds majority vote at a duly called Unitholder meeting (“Extraordinary Resolution”) called for such purpose.

The Investment Fund is subject to the following investment restrictions pursuant to which the Investment Fund will not:

- (a) undertake any activity, take any action, omit to take any action or make or hold any investment that would result in the Investment Fund failing to qualify as a “unit trust” or a “mutual fund trust” for purposes of the *Income Tax Act* (Canada) (the “Tax Act”). Among other requirements, in order for the Investment Fund to so qualify:
  - (i) at all times at least 80% of the property of the Investment Fund must consist of a combination of: shares; property that under the terms or conditions of which or under an agreement, is convertible into, exchangeable for, or confers a right to acquire, shares; cash; bonds, debentures, mortgages, hypothecary claims, notes and other similar obligations; marketable securities; real property situated in Canada and interests in real property situated in Canada; or rights to and interests in any rental or royalty computed by reference to the amount or value of

- production from a natural accumulation of petroleum or natural gas in Canada, from an oil or gas well in Canada or from a mineral resource in Canada;
- (ii) not less than 95% of the Investment Fund's income for each year must be derived from, or from the disposition of, investments described in (i) above; and
  - (iii) at no time may more than 10% of the Investment Fund's property consist of bonds, securities or shares in the capital stock of any one corporation or debtor other than Her Majesty in Right of Canada or a province or a Canadian municipality;
- (b) make or hold any investment that would result in the Investment Fund becoming a "SIFT trust" within the meaning of subsection 122.1(1) of the Tax Act. Among other requirements, in order for the Investment Fund to so qualify:
- (i) the Investment Fund must not hold a "security" of a "subject entity" (as defined in subsection 122.1(1) of the Tax Act) directly, or through a partnership or partnerships, if all such securities of the subject entity held by the Investment Fund, including the Investment Fund's proportionate share of any such securities held through partnerships, have a total fair market value that is greater than 10% of the fair market value of all of the issued and outstanding shares or interests in such entity; and
  - (ii) the Investment Fund must not hold a "security" of a "subject entity" (as defined in the subsection 122.1(1) of the Tax Act) directly, or through a partnership or partnerships, if, together with all of the securities that the Investment Fund holds of the subject entity and entities affiliated with the particular subject entity, such securities, including the Investment Fund's proportionate share of any such securities held through partnerships, have a total fair market value that is greater than 50% of the fair market value of all of the issued and outstanding Units of the Investment Fund;
- (c) invest in securities of an issuer that is a foreign affiliate of the Investment Fund;
- (d) invest more than 10% of the Investment Fund's Net Asset Value ("NAV") in any one portfolio investment, determined at the time of investment by "looking through" any Underlying Funds and funds held by Underlying Funds, to the ultimate portfolio investments;
- (e) invest, or commit to invest, an aggregate amount exceeding the capital of the Investment Fund, plus the maximum amount of the Investment Fund's permitted borrowing;
- (f) make any investments which are not Underlying Investments or Liquid Investments; or

- (g) purchase or sell derivative instruments, except as set out under “Use of Derivative Instruments” below.

### **Use of Derivative Instruments**

The Investment Fund may engage in currency hedging to mitigate the risk of exchange rate fluctuations where the Investment Fund has purchased or invested or committed to purchase or invest in an Underlying Investment denominated in a foreign currency, to the extent that such activities are not inconsistent with any of the foregoing investment restrictions. The Investment Fund may also enter into derivative contracts intended to provide exposure to specified private equity investments (which contracts will be classified as Underlying Investments) or other permitted Liquid Investments, consistent with the investment restrictions, overall objective and strategy of the Investment Fund, in cases where an investment directly in such private equity investments or Liquid Investments is not practical.

### **Borrowing**

The Investment Fund may borrow an amount up to 25% of its total assets in order to provide the liquidity required to take advantage of investment opportunities on a timely basis, to fund redemptions or repurchases of units and for general operating purposes. The primary purpose of these borrowings is to optimize the investment efficiency of the Investment Fund, and to permit the Investment Fund to be as fully invested in Underlying Investments as possible, while having the flexibility to take advantage of investment opportunities that arise from time to time. The purpose of these borrowings is not to apply leverage to specific investments for equity return enhancement. The cost of any such borrowing will be borne by the Investment Fund and the assets of the Investment Fund may serve as collateral for such borrowing.

### **Eligibility for Investment**

Provided that the Investment Fund qualifies as a mutual fund trust within the meaning of the Tax Act at all relevant times, the units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered disability saving plans, registered education savings plans and tax-free savings accounts.

Notwithstanding the foregoing, if units are “prohibited investments” for the purpose of a tax-free savings account (a “TSFA”), a holder of a trust governed by a TFSA will be subject to penalty taxes as set out in the Tax Act. An investment in the Units will not generally be a “prohibited investment” for a trust governed by a TFSA unless the Unitholder does not deal at arm’s length with the Investment Fund for purposes of the Tax Act or the Unitholder has a significant interest (within the meaning of Tax Act) in the Investment Fund or in a corporation, partnership or trust with which the Investment Fund does not deal at arm’s length for purposes of the Tax Act. Holders of trusts governed by a TFSA should consult their own tax advisors to ensure that the units would not be a prohibited investment in their particular circumstances.

## MANAGEMENT OF THE INVESTMENT FUND

### **The Manager**

Kensington Capital Partners Limited was appointed as manager (the “Manager”) of the Investment Fund pursuant to a management agreement (the “Management Agreement”), dated April 20, 2007 (the “Management Agreement”). The Manager’s principal place of business and registered office is located at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario M4V 1N6. The Manager can be reached by at (416).362.9000, by e-mail to [info@kcpl.ca](mailto:info@kcpl.ca) or at its website [www.kcpl.ca](http://www.kcpl.ca).

The Manager also serves as trustee (the “Trustee”) and administrator of the Investment Fund pursuant to the Amended and Restated Declaration of Trust and as such is responsible for the basic administrative services of the Investment Fund. See “Declaration of Trust”.

### ***The Management Agreement***

Pursuant to the Management Agreement, the Manager provides or arranges for a wide range of administrative services and other business services to the Investment Fund. The services provided by the Manager include researching, sourcing and diligencing investment opportunities, ensuring compliance with the Investment Fund’s investment objective, strategy, policies and procedures, and implementing the decisions of Kensington Investment Management Inc. (the “Investment Advisor”) regarding investments in, and dispositions of, Underlying Investments. The Manager does not, however, make decisions to invest the capital of the Investment Fund, authority for which is delegated to the Investment Advisor as the investment manager of the Investment Fund, pursuant to an Investment Advisory Agreement (as defined below).

The Manager is entitled to receive fees as compensation for management services rendered to the Investment Fund. See “Fees and Other Expenses – Management Fee”.

The Manager is required to exercise its powers and discharge its duties under the Management Agreement honestly and in good faith, and in the best interests of the Investment Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The Management Agreement provides that the Manager may be removed for cause, with the approval of Unitholders by an Extraordinary Resolution at a duly constituted meeting of the Unitholders. “Cause” is defined in the Management Agreement to mean that the Manager has acted in a manner that constitutes gross negligence or wilful misconduct in the execution of its duties under the Management Agreement or is convicted of fraud, embezzlement or a similar indictable criminal offence (in each case as finally determined by a court of competent jurisdiction following the exercise of all rights of appeal), or the Manager suffers a bankruptcy or insolvency event as specified in the Management Agreement.

Unless terminated in accordance with its terms, the Management Agreement will continue until the termination of the Investment Fund. In the event of a breach or default of any material provision of the Management Agreement, which is not cured within 60 days of written notice of such breach to the Investment Fund, the Manager may terminate the Management

Agreement. In the event of such termination, no payments need be made by the Investment Fund to the Manager, except for the amounts owing as of the date of termination.

***Directors and Officers of the Manager***

The name and municipality of residence of each of the directors and senior officers of the Manager and their principal occupation is as follows:

<b><u>Name and Municipality of Residence</u></b>	<b><u>Position with Manager</u></b>	<b><u>Principal Occupation</u></b>
Thomas Kennedy (1) Toronto, Ontario	Chief Executive Officer, Director and Managing Director	Chief Executive Officer and Managing Director of the Manager
Humberto Aquino (2) Toronto, Ontario	Director and Managing Director	Managing Director of the Manager
Richard (Rick) Nathan (3) Toronto, Ontario	Chief Financial Officer, Director and Managing Director	Chief Financial Officer and Managing Director of the Manager
Timothy Stockman (4) Oakville, Ontario	Vice President, Finance and Corporate Secretary	Vice President, Finance of the Manager

- 1) As of June 29, 2009, Thomas Kennedy held approximately 0.2% of the Units of the Investment Fund and 30% of the shares of the Manger.
- 2) As of June 29, 2009, Humberto Aquino held approximately 30% of the shares of the Manger.
- 3) As of June 29, 2009, Richard Nathan held approximately 30% of the shares of the Manger.
- 4) As of June 29, 2009, Timothy Stockman held approximately 0.2% of the Units of the Investment Fund 5% of the shares of the Manger.

The following is a brief description of the background of the directors and senior officers of the Manager.

**Thomas Kennedy:** Mr. Kennedy is a co founder of Kensington. Mr. Kennedy acts as Chair of the Investment Committee and of the Advisory Board. Mr. Kennedy has spent 10 years in operational and management positions with Consolidation Coal Co. and Alberta Energy Company. He has investment banking experience as a senior executive with Bunting Warburg, Lancaster and TD Securities. Mr. Kennedy serves on the Advisory Committee of TriWest Capital Fund II and on the Board of Directors of Polymer Plainfield Holdings Inc. Mr. Kennedy was Chairman of the Regent Park School of Music, and is a Director of the Toronto Central LHIN. He has served on the board of directors of Loft Community Services, Triax Growth Fund, as well as several public companies. Mr. Kennedy holds a B.Sc.Eng. (Mining) from Queen’s University and a D.B.A. from the University of Edinburgh, Scotland and is a professional engineer.

**Humberto Aquino:** Mr. Aquino is a co-founder of Kensington and a member of the Investment Committee and of the Advisory Board. Mr. Aquino sits on the Board of Directors of Lise Watier Cosmetics, Crestline Coach Ltd., and Polymer Plainfield Holdings Inc. Mr. Aquino was formerly Co-Chief Operating Officer of Cott Corporation and has substantial transactional and business strategy experience through his years as an M&A Director at Burns Fry, and as a management consultant with McKinsey & Company. He holds a B.Sc.Eng. and a M.Sc.Eng. from the Catholic University of America in Washington D.C. Mr. Aquino earned an M.B.A. from the University of Chicago in 1982.

**Richard (Rick) Nathan:** Mr. Nathan is a Kensington Managing Director and a member of the Investment Committee, he is also the current Chairman of CVCA – Canada’s Venture Capital and Private Equity Association. Prior to joining Kensington, Mr. Nathan was Managing Director of Goodmans Venture Group, a division of Goodmans LLP. In that role, he acted as legal counsel and as strategic business advisor to entrepreneurs and emerging growth companies and to private equity investors in the Canadian market. Mr. Nathan also had responsibility for a related investment portfolio. Prior to joining Goodmans, Mr. Nathan was a founding partner of Brightspark, one of Canada’s leading early-stage venture capital funds. Prior to founding Brightspark, Mr. Nathan spent more than 10 years as a corporate and securities lawyer at Osler, Hoskin & Harcourt LLP, including as leader of the firm’s Technology Business Group. Mr. Nathan sits on the Board of Directors of Public Mobile Holdings Inc., and Mobile Knowledge Inc. and is also a member of the Advisory Council to the Toronto Region Research Alliance and Co-Chair of the Canadian Innovation Exchange (CIX). Mr. Nathan holds a BA (Computer Science) from Dartmouth College and an LLB from the University of Toronto.

**Timothy Stockman:** Mr. Stockman has over 22 years of financial management and treasury experience. Prior to joining the Kensington, he was Vice President, Treasurer of Trilwood Investments Limited, a privately-owned company investing in small cap public companies, private companies and in private equity fund investments. He was a director of a group of privately held companies based in the Caribbean and before that served as Treasurer of Matorca Inc. He currently sits on the Statistics and Finance Committee of CVCA – Canada’s Venture Capital and Private Equity Association. Mr. Stockman holds a Bachelor of Business Administration from Wilfrid Laurier University in 1977 and received his CA designation while with Thorne Riddell, a predecessor of KPMG.

### ***Advisory Board***

The Manager’s advisory board (the “Advisory Board”) consists of the following 11 members: Thomas Kennedy (Chair). Humberto Aquino, John Puddington, Stephan Breban, Gregory Cochrane, Susan Dabarno, Rubin Osten, Glynn Williams, David Patchell-Evans, Tom Tutsch, and John Varghese.

The Investment Fund paid approximately \$1,400 to each independent member of the Advisory Board between April 1, 2008 and March 31, 2009. The Investment Fund provided, in the aggregate, less than \$1,000 to members of the Advisory Board in reimbursements for expenses incurred between April 1, 2008 and March 31, 2009.

**John Puddington:** Mr. Puddington was President of Trilwood Investments, a privately owned equity investment company, from 1989 to late 2003 where he was responsible for the performance of a portfolio of investments in private companies, Canadian junior public

companies and U.S. buyout funds. Concurrently, he was Chairman and CEO of an affiliated oil and gas company in which he was responsible for the start up and strategic direction over a 14 year time period. Previously, he had private equity and leveraged buyout experience with Citibank Canada and Roymark Financial Services and before that, private company term lending experience with RoyNat Inc. He has participated on the Board of Directors of numerous private and public companies. During his tenure at Trilwood, he served as President of the Canadian Venture Capital Association (CVCA). Mr. Puddington has an affiliation with NorthRock Capital Partners, a private equity investor, and is on the Advisory Board of Kern Energy Partners, a private equity fund. He has a B.A. in economics from Concordia University and an M.B.A. from McMaster University. Mr. Puddington is a member of the Independent Review Committee.

**Stephan Breban:** Mr. Breban is the founder and Managing Director of City Capital Partners (London, U.K.), a specialist private equity consultancy established to provide comprehensive, independent advice to investors in the asset class. Prior to establishing City Capital Partners, he spent 10 years at Watson Wyatt as a pension fund consultant and advisor, and pioneered the firm's research into private equity. Mr. Breban is a graduate of City University (London) with an Honours Degree in Actuarial Science. Mr. Breban is a member of the Independent Review Committee.

**Gregory Cochrane:** Mr. Cochrane, is a general partner with Graoch Associates Limited Partnership, a real estate syndication firm with operations in the United States. Prior to his work at Graoch, Mr. Cochrane built and managed one of the largest event and conference companies in Canada, Mariposa Communications and Promotions, until April 1997 when he and his partner sold the business. Mr. Cochranes earlier experience included marketing and product management roles with General Electric in Toronto and SC Johnson in Brantford, Ontario. As well as serving on boards for publicly and privately-traded companies, Mr. Cochrane is very active in the community, having served on boards for groups and associations such as Junior Achievement, The Down Syndrome Association of Toronto, The Canadian Business Hall of Fame, St. Josephs Health Centre and several others. In 1992, Mr. Cochrane received Canadas 125th Commemorative Anniversary medal for volunteerism in the community. Mr. Cochrane holds a Degree in Business from Bishops University in Lennoxville, Quebec and an M.B.A. from Queens University, Kingston, Ontario.

**Susan Dabarno:** Ms. Dabarno is Chief Executive Officer of Richardson Partners Financial Limited. She was actively involved in the conceptualization and launch of Richardson Partners Financial Limited in May 2003. With over 30 years of experience in financial services, Ms. Dabarno has held several senior positions with industry leading firms including: President and Chief Executive Officer of Merrill Lynch Canada Inc.; First Vice President and global head of Merrill Lynch International Private Client Group Sales and Marketing; Executive Vice President, Private Client Division, Midland Walwyn; President, Atlas Funds and Senior Vice President, Canada Trust. Ms. Dabarno has a Degree in Education from McGill University and is a Certified General Accountant.

**Rubin Osten:** Mr. Osten co-founded PC DOCS Group International Inc., formerly a TSX and NASDAQ-listed company, and served as its President and Chief Executive Officer until the company's sale in 1999. PC DOCS was a global software company and provider of document management and practice management software. Mr. Osten was the Chairman and Chief Executive Officer of Cowboy Corp., a provider of customer relationship management software for the automotive industry from January 2000 until the company's sale in February 2003. Mr.

Osten was also a director of Spectra Securities Software Inc., a provider of software to the financial services industry focused on wealth management from January 2000 until the Company's sale in July 2002. Currently, Mr. Osten is President and Chief Executive Officer of Raspberry Investments Corp., an investment and consulting firm. Mr. Osten is also currently a director of MediSolution Ltd., a provider of information technology to the healthcare industry, Park Avenue Investment Corporation, a capital pool company, and the Movie Distribution Income Fund, an income trust. He is also a director and advisor to a number of private companies as well as a member of the Board of Governors of Mount Sinai Hospital in Toronto. Mr. Osten is a Chartered Accountant and a member of the Institute of Chartered Accountants of Ontario. Mr. Osten is a member of the Independent Review Committee.

**Glynn Williams:** Mr. Williams is the Chairman of Williams & Moore Capital Corporation, a private equity investment and advisory firm. He was a Managing Director at Newcrest Capital Inc. from 1995 to 2000, where he was Director of Research and a leading analyst. Mr. Williams was a Director and securities analyst with Gordon Capital Corporation and an officer and analyst with Wood Gundy. His career includes work in the venture capital, high technology and consulting engineering professions. His knowledge base in the aerospace, manufacturing, consumer, hospitality and service sectors adds value to the assessment of funds and their investments. Mr. Williams holds a B.A.Sc. in Engineering Science, an M.A.Sc. in Mechanical Engineering and an M.B.A. from the University of Toronto. Mr. Williams is a Professional Engineer and a Chartered Financial Analyst. Mr. Williams is a member of the Independent Review Committee.

**David Patchell-Evans:** Mr. Patchell-Evans is the owner, President and Chief Executive Officer of First Canadian Cardio-Fitness Clinics Ltd., known as GoodLife Fitness Clubs. Mr. Patchell-Evans is an author and international speaker having lectured extensively in North America as well as Germany, England and Australia. Mr. Patchell-Evans holds an Honours Degree in Physical Education with a business minor from the University of Western Ontario where he has been awarded with a second appointment as Adjunct Assistant Professor to the School of Kinesiology, Faculty of Health Sciences. Mr. Patchell-Evans founded the Canadian Association of Fitness Professionals.

**Thomas Tutsch:** Mr. Tutsch has 28 years of experience in the Canadian public and private financial markets. Mr. Tutsch retired from BMO Nesbitt Burns in 2001. While at BMO Nesbitt Burns, Mr. Tutsch served as Deputy Chairman of BMO Nesbitt Burns and President and CEO of BMO Nesbitt Burns Equity Partners Inc. Mr. Tutsch also spent 18 months as the Interim Vice President, Private Markets for the Canada Pension Plan Investment Board, managing a group which supervised private equity, real estate and infrastructure investments. Mr. Tutsch joined Burns Fry in 1980, having spent the previous seven years working in corporate finance at Dominion Securities. While at Burns Fry, Mr. Tutsch served as Executive Vice President and was head of investment banking and a member of the executive management group. Mr. Tutsch currently provides strategic consulting services and serves as a director or advisory board member on private and public company boards and not-for-profit boards. He holds a B.Sc. (Physics) from Loyola College and an M.B.A. (Finance) from York University.

**John Varghese:** Mr. Varghese is a Managing Partner of VentureLink LP and co-owner of the VentureLink LP manager, and is responsible for the management and investment activities of the fund as well as actively leading the marketing efforts of the fund. Currently Mr. Varghese is an

observer or board member on numerous investee companies, including Chairman of Ventus Energy Inc. Most recently, he was Chairman of Orion Securities Inc. and Chairman of MCCI Communications Inc. Previously, he was Managing Partner at JV Venture Partners, a firm that specialized in advisory, strategy and corporate restructuring for high growth companies. Prior to this, Mr. Varghese was a partner and Vice President at elab Technology Ventures' where he was responsible for the venture capital and operational functions of the firm. Mr. Varghese's professional experience ranges from venture capital and investment banking to senior management and board of director roles in various industries. He has held COO and CFO positions at start-up organizations, as well as senior management roles within multi-national corporations including Royal Bank Capital Corporation, Midland Walwyn Capital Inc. (Merrill Lynch Canada), Dell Computer Corporation and Jim Pattison Industries Ltd.

### ***Independent Review Committee***

In accordance with NI 81-107, the Manager has appointed four members of the Advisory Board to act as the Investment Fund's Independent Review Committee (the "IRC").

The IRC has been established to review all conflicts of interest which are referred to it by the Manager and to approve or make recommendations to the Manager as required under NI 81-107. Specifically, the IRC reviews and approves or makes recommendations to the Manager with respect to conflicts of interest relating to actions by the Investment Fund, the Manager and the Investment Advisor (as defined below) pursuant to the Management Agreement and investments made in parallel with the Kensington Private Funds, given the potential conflict of interest which may exist.

The members of the Independent Review Committee are: John Puddington; Stephen Breban; Rubin Osten; and Glynn Williams.

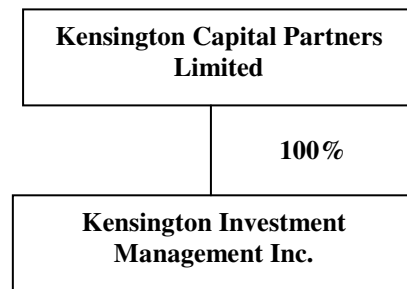
The Investment Fund paid approximately \$5,000 to each member of the Independent Review Committee between April 1, 2008 and March 31, 2009.

### **The Investment Advisor**

The Manager has retained Kensington Investment Management Inc. to act as Investment Advisor on behalf of the Investment Fund pursuant to an investment advisory agreement (the "Investment Advisory Agreement"), dated April 20, 2007.

The Investment Advisor provides investment advice and portfolio management services to the Investment Fund in accordance with the Investment Fund's investment policies and procedures, and is ultimately responsible for making all investment decisions on behalf of the Investment Fund. The Investment Advisor has responsibility for managing the investments of the Investment Fund in accordance with the Investment Fund's cash management policy.

The Investment Advisor is a wholly-owned subsidiary of the Manager as shown below.



The Investment Advisor is a corporation governed by the laws of the Province of Ontario and is registered with the Ontario Securities Commission as an investment counsel and portfolio manager. Fees received by the Investment Advisor from the Manager are disclosed in the audited financial statements of the Investment Fund.

#### ***Directors and Officers of the Investment Advisor***

All of the directors and officers of the Investment Advisor are also directors and officers of the Manager except for Christopher Brown.

**Christopher Brown:** Mr. Brown is the Chief Investment Officer of the Investment Advisor and is a member of the Investment Committee. He is the founder of Harrar Capital Partners Inc. and entered the securities industry as an institutional sales representative in 1973 following five years with IBM Canada. He worked with predecessor firms of Merrill Lynch Canada Inc., Nesbitt Burns and UBS Warburg, and then became the Research Manager at Bunting Warburg, one of Canada's premier research boutiques at the time. In the 1993 Brendan Wood survey of institutional investors, he was rated among the top three analysts in Canada in each of the disciplines of quantitative analysis, technical analysis and portfolio strategy. In 1993, he left Bunting Warburg to join Toronto Dominion Securities Inc. as Managing Director, Institutional Equities. In 1999, he moved into the income products and proprietary trading area as Managing Director, Institutional Equities and Structured Finance. He was responsible for TD Securities' activities in proprietary equity trading for the dealer's own account and for a number of other business lines including North American merger arbitrage, proprietary technical trading, and Canadian convertible and index arbitrage. He received a BA (Chemistry) from Queen's University in 1967.

#### ***The Investment Advisory Agreement***

Pursuant to the Investment Advisory Agreement, the Manager has engaged the Investment Advisor to provide investment advisory and portfolio management services on behalf of the Investment Fund. The investment advisory services provided by the Investment Advisor include the selection of Underlying Investments in accordance with the Investment Fund's investment objective and strategy; and the investment and management of the Liquid Investments in accordance with the Investment Fund's cash management policy.

The Investment Advisory Agreement provides that the Investment Advisor will act honestly and in good faith, and in the best interests of the Investment Fund and exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The Investment Advisory Agreement provides that the Investment Advisor may be removed for cause, with the approval of Unitholders by Extraordinary Resolution at a duly constituted meeting of the Unitholders. "Cause" is defined in the Investment Advisory Agreement to mean that the Investment Advisor has acted in a manner that constitutes gross negligence or wilful misconduct in the execution of its duties under the Investment Advisory Agreement or is convicted of fraud, embezzlement or a similar indictable criminal offence, or the Investment Advisor suffers a bankruptcy or insolvency event as specified in the Investment Advisory Agreement.

Unless terminated in accordance with its terms, the Investment Advisory Agreement will continue until the termination of the Investment Fund. In the event of a breach or default of any material provision of the Investment Advisory Agreement, which is not cured within 60 days of written notice of such breach to the Investment Fund, the Investment Advisor may terminate the Investment Advisory Agreement.

### ***Investment Committee***

The investment committee (the "Investment Committee") reviews and approves all of the proposed investments prior to their presentation to the Investment Advisor. The Investment Committee has monthly meetings at which a majority of the Investment Committee must approve every investment proposed to the Investment Advisor.

The Investment Committee consists of the following individuals: Thomas Kennedy (Chair), Humberto Aquino, Richard (Rick) Nathan, John Puddington, Stephan Breban, Thomas Tutsch, and Christopher Brown.

## **CONFLICTS OF INTEREST**

The Manager and the Investment Advisor and their affiliates are engaged in a wide range of investment management, investment advisory and other business activities. The Manager invests in private equity markets on behalf of institutional investors and high net worth individuals and invests in private equity funds from time to time that focus on a wide variety of opportunities in the private equity market. The services provided by the Manager under the Management Agreement and the Investment Advisor under the Investment Advisory Agreement are not exclusive and nothing in those agreement prevents the Manager, the Investment Advisor or any of their affiliates from providing similar services to other investment funds and other persons (whether or not their investment objectives, strategies and policies are similar to those of the Investment Fund) or from engaging in other activities. The Investment Advisor's investment decisions for the Investment Fund will be made independently of those made for other persons and independently of its own investments.

From time to time, the Manager (or its affiliates) may enter into agreements with private equity fund managers or fund of funds managers to provide assistance within the Canadian market, or to provide assistance to the Manager in developing business opportunities in their

local markets. The Manager currently has entered into such an agreement with HarbourVest whereby the Manager may earn a fee for referring Canadian institutional investors to HarbourVest, and which does not apply to any investment made by the Investment Fund; and with Nordea, which compensates each party for due diligence shared on private equity funds referred to the other party for investment.

The responsibility for reviewing conflicts of interest has been delegated to the Independent Review Committee. The Independent Review Committee will consider all matters referred to it and provide its recommendations to the Manager or the Investment Advisor, as applicable, as soon as possible. The recommendation of the Independent Review Committee in respect of such matters will not be binding. The Manager and the Investment Advisor will however, at all times while serving as Manager, Trustee and Investment Advisor, respectively, remain bound by their duties to act in the best interests of Unitholders.

### **Kensington Private Funds**

During the past several years, the Manager has established a number of other investment funds which focus on private equity investments in various sectors and geographic regions (the “Kensington Private Funds”). The Manager may establish additional Kensington Private Funds in the future. The investments to be made by the Kensington Private Funds will consist of investments in underlying private equity funds, direct investments in private companies as well as opportunistic investments and temporary investments in accordance with each Kensington Private Fund’s investment objectives.

Any investment opportunity identified by the Manager or the Investment Advisor which is within the investment objectives for both the Investment Fund and any Kensington Private Fund will be allocated, on an equitable basis, between the Investment Fund and the Kensington Private Fund. Generally, investment opportunities will be allocated on a pro rata basis between the Investment Fund and the Kensington Private Fund based on the amount of capital each has available for investment within its allocation to the geographic region or private equity sector in which the investment opportunity will fall, except to the extent the investment would conflict with any legal requirement to which either is subject, or would otherwise give rise to adverse consequences for the Investment Fund, the Kensington Private Fund or their respective investors. The allocation to any geographic region or private equity sector of the Investment Fund may be fixed by the Manager from time to time consistent with the Investment Fund’s investment objective. All investments made by a Kensington Private Fund and the Investment Fund as parallel investors will be made on the same terms and conditions and will be disposed of at the same time and on the same terms. No additional fees will be payable by the Investment Fund as a result of this parallel investment arrangement.

The Investment Advisor or another affiliate of the Manager will be the investment manager of each Kensington Private Fund, and the general partner of each Kensington Private Fund will be an affiliate of the Manager. The Investment Advisor will also agree to comply with the parallel investment arrangement.

The Investment Fund may invest directly in a Kensington Private Fund in addition to, or instead of, investing in parallel with the Kensington Private Funds. The Investment Fund may only do so if the Manager determines that the Investment Fund is able to make such investments directly in a Kensington Private Fund without any significant risk of adverse economic or tax

effects on the Investment Fund or the Unitholders, as determined by the Manager after consultation with counsel, and provided that any such direct investment in a Kensington Private Fund is made on a basis which achieves the same or better terms and conditions in aggregate as investing in parallel with the Kensington Private Funds, including ensuring that there is no duplication of management fees paid to the Manager, the Investment Advisor or any of their affiliates. The Manager must refer all potential investments by the Investment Fund directly in a Kensington Private Fund to the Independent Review Committee. The Manager will provide the Independent Review Committee with sufficient information to form a judgment on the matter, and the Investment Fund will not proceed with any such investment unless the Independent Review Committee has approved it.

### **Principal Holders of Units**

As of June 29, 2009, the Board of Trustees of the B.C. Credit Union Employee's Pension Plan B.C. ("B.C. Credit Union") holds 1,063,829 Class F Units, which constitutes 96.46% of the issued and outstanding Class F units of the Investment Fund.

## **DESCRIPTION OF UNITS AND CLASS F UNITS OF THE INVESTMENT FUND**

### **Units and Class F Units**

The Investment Fund is authorized to issue an unlimited number of transferable units of two classes, referred to as the Units and Class F Units and collectively or interchangeably referred to herein as "units", each of which represents an equal, undivided beneficial interest in the net assets of the Investment Fund. No unit of a class shall have any privilege, priority or preference in relation to any other unit. The only differences between the Units and the Class F Units is the service fee component of the management fees payable in respect of the units of each class, as described under "Fees and Other Expenses – Service Fee".

Units of each class will be issued as fully paid and, once issued, shall be non-assessable. There shall be no limit to the number of units that may be issued, subject to any determination to the contrary made by the trustee of the Investment Fund in its sole discretion.

The units of each class shall have the following rights, privileges and restrictions:

- (a) each unit shall entitle the holder thereof to one vote at all meetings of Unitholders;
- (b) each unit is entitled to participate equally with respect to any and all distributions made by the Investment Fund, including distributions of net income and net realized capital gains; and
- (c) on liquidation or termination of the Investment Fund, each unit shall entitle the holder thereof to participate equally with respect to the distribution of the remaining assets of the Investment Fund after payment of the Investment Fund's debts, liabilities and liquidation or termination expenses pursuant to Article 13 of the Amended and Restated Declaration of Trust.
- (d) In addition:

- (i) there shall be no pre-emptive rights attaching to units;
- (ii) there shall be no liability for future capital calls or assessments attaching to Units;
- (iii) the Investment Fund shall not issue fractional units;
- (iv) the Trustee, the Manager and the Investment Advisor of the Investment Fund may be Unitholders;
- (v) the trustee may in its discretion subdivide the units outstanding at any time so that the number of outstanding units may be increased, or consolidate the units outstanding at any time so that the number of outstanding units may be decreased; and
- (vi) the provisions or rights attaching to the units of either class may only be modified, amended or varied with the consent of Unitholders given in accordance with provisions contained in Section 14.3 of the Amended and Restated Declaration of Trust. See “Declaration of Trust – Acts Requiring Unitholder Approval”.

### **Conversion Rights**

The Units are convertible into Class F Units on a monthly basis by notice delivered no later than 5:00 p.m. (Toronto time) on the tenth business day prior to the last business day of a month (a “Conversion Date”) and any Unit so surrendered shall be converted into Class F Units on such last business day of such month. For each Unit so converted, a holder will receive a number of Class F Units equal to the Net Asset Value per Unit as of the Conversion Date divided by the Net Asset Value of a Class F Unit as of the Conversion Date.

The Class F Units are convertible into Units on a monthly basis by notice delivered no later than 5:00 p.m. (Toronto time) on a Conversion Date and any Class F Units so surrendered shall be converted into Units on such last business day of such month. For each Class F Unit so converted, a holder will receive a number of Units equal to the Net Asset Value per Class F Unit as of the Conversion Date divided by the Net Asset Value of a Unit as of the Conversion Date.

### **Redemption**

#### ***Right to Redeem***

Commencing in 2007, Unitholders may redeem units on the last business day in December of each calendar year, commencing in 2007 (the “Redemption Date”) for a redemption price per unit equal to (i) 90% of the NAV per Unit of the class (as defined below) determined on the Redemption Date if the Investment Fund has not listed its Units on the Toronto Stock Exchange (the “TSX”) on the Redemption Date, and (ii) 95% of the NAV per Unit of the class determined on the Redemption Date if the Investment Fund has listed its Units on the TSX on the Redemption Date (including if the Investment Fund has listed its Units on the TSX between the date the Units are surrendered for redemption and the applicable Redemption

Date), in each case less any costs incurred by the Investment Fund in funding the redemption, including commissions paid by the Investment Fund.

Units of a class surrendered for redemption by a Unitholder not more than 120 days, and at least 60 days, prior to a Redemption Date will be redeemed on such Redemption Date and the Unitholder will receive payment on or before the fifteenth day following the Redemption Date on which Unitholders exercising redemption rights will receive payment for the redemption of units (the “Redemption Payment Date”). Units of a class may be surrendered for redemption to a security broker, dealer, bank, trust company or other participant in the depository service of CDS (“CDS Participants”) for surrender to CDS or to the registrar and transfer agent if the book-entry only system is not in effect, but will be redeemed only on a Redemption Date as set forth above.

No more than 20% of the outstanding units of a class may be redeemed on any Redemption Date if the Investment Fund has not listed its Units on the TSX on such Redemption Date. No more than 10% of the outstanding units of a class may be redeemed on any Redemption Date if the Investment Fund has listed its Units on the TSX on such Redemption Date. If more than 20% or 10% of the outstanding units of a class are surrendered for redemption on any Redemption Date, as applicable, redemptions will be conducted on a pro rata basis. Any unpaid distribution payable on or before the Redemption Date in respect of units tendered for redemption on such date will also be paid on the applicable Redemption Payment Date. The Investment Fund may designate a portion of the redemption price for units tendered for redemption as a distribution of net income or net realized taxable capital gains to redeeming Unitholders.

### ***Redemption Procedures***

A Unitholder who desires to exercise redemption privileges must do so by causing a CDS Participant to deliver to CDS (at its office in the City of Toronto) on behalf of the Unitholder a written notice of the Unitholder’s intention to redeem units, no later than 5:00 p.m. (Toronto time) on the 60th day prior to the applicable Redemption Date. A Unitholder who desires to redeem units should ensure that the CDS Participant is provided with notice (the “Redemption Notice”) of the Unitholder’s intention to exercise such holder’s redemption privilege sufficiently in advance of the relevant notice date so as to permit the CDS Participant to deliver notice to CDS by the required time. The Redemption Notice will be available from a CDS Participant or the Investment Fund’s registrar and transfer agent. Any expense associated with the preparation and delivery of Redemption Notices will be for the account of the Unitholder exercising the redemption privilege.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder’s intention to redeem units, a Unitholder shall be deemed to have irrevocably surrendered its units for redemption and appointed such CDS Participant to act as its exclusive settlement agent with respect to the exercise of the redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise. Any Redemption Notice which CDS (or on termination of the book entry only system the transfer agent and registrar) determines to be incomplete, not in proper form or not duly executed shall for all purposes be void and of no effect and the redemption privilege to which it relates shall be considered for all purposes not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with the Unitholder’s instructions will not

give rise to any obligations or liability on the part of the Investment Fund to the CDS Participant or to the Unitholder. The Investment Fund has the option to terminate registration of the units through the book-entry only system in which case Unitholders must provide the transfer agent and registrar with a Redemption Notice no later than 5:00 p.m. (Toronto time) on the 60th day prior to the applicable Redemption Date.

### ***Suspension of Redemptions***

The Manager may suspend the redemption of units or payment of redemption proceeds for any period not exceeding 90 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Investment Fund or which impair the ability of the Manager to determine the value of the assets of the Investment Fund. Such conditions may include (but are not limited to) changes affecting financial markets or the private equity markets generally (or a segment thereof) or a material adverse change in the business and affairs of the Investment Fund. The suspension may apply, in the discretion of the Manager, to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Trustee of the suspension and that the redemption will be effected at the redemption price determined as of the Redemption Date in respect of which the Unitholder exercised its redemption privilege, upon the calculation of such redemption price within such 90 day period. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any governmental body or stock exchange having jurisdiction over the Investment Fund, any declaration of suspension made by the Manager shall be conclusive.

### ***Designated Purchasers***

Each Unitholder is deemed to have granted the Manager a right, exercisable prior to any relevant Redemption Date, to designate a purchaser for any units tendered for redemption, which purchaser may be a Kensington Private Fund or an affiliate of the Manager. If the Manager exercises this right in respect of any units tendered for redemption, the units will be purchased by the designated purchaser at the redemption price and will not be redeemed.

### ***Recirculation of Redeemed Units***

Subject to the Manager's right to designate a purchaser for any units tendered for redemption as described above, the Investment Fund may, at any time, enter into an agreement (a "Recirculation Agreement") with an agent (the "Recirculation Agent") pursuant to which the Recirculation Agent will find purchasers for any units tendered for redemption prior to the relevant Redemption Date. Under the Recirculation Agreement, the Investment Fund will be permitted to, but will not be obligated to, require the Recirculation Agent to seek such purchasers and, in such event, the amount to be paid to the Unitholder on the applicable Redemption Payment Date will be an amount equal to the proceeds of the sale of the units of a class less any applicable commission, provided that such amount will not be less than the redemption price of 90% or 95% of the NAV per Unit of the class, as applicable, less any costs incurred by the Investment Fund in funding the redemption that would otherwise be paid to the Unitholder for

such redeemed units, as described above. Subject to the Investment Fund's right to require a Recirculation Agent to find purchasers for any units tendered for redemption prior to the relevant Redemption Date, any and all units which have been surrendered to the Investment Fund for redemption are deemed to be outstanding until (but not after) the close of business on the relevant Redemption Date, unless not redeemed thereon, in which event such units will remain outstanding.

### **Market Purchases of Units**

The Investment Fund shall have the right (but not the obligation) at any time, exercisable in its sole discretion, to purchase units in the market, subject to any applicable regulatory requirements and limitations, subject to any applicable regulatory requirements and limitations. The Investment Fund may make such purchases as normal course issuer bids through the facilities and the rules of the TSX or such other exchange or market on which the units are then listed or as otherwise permitted by applicable law.

### **Book-Entry Only System**

Registration of interests in and transfers of units will only be made through the depository services of CDS. Any purchase or transfer of units must be made through a CDS Participant. Indirect access to the CDS book-entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Each purchaser of a unit will receive a customer confirmation of purchase from the CDS Participant from whom such unit is purchased in accordance with the practices and procedures of such CDS Participant.

The Investment Fund has the option to terminate the book-entry only system through CDS, in which units in fully registered certificated form will be issued to Unitholders, as of the effective date of such termination.

## **DECLARATION OF TRUST**

Pursuant to the Declaration of Trust, the Manager is the administrator and Trustee of the Investment Fund and, as such, is responsible for providing or arranging for required administrative services to the Investment Fund including, without limitation: authorizing the payment of operating expenses incurred on behalf of the Investment Fund; preparing financial statements and financial and accounting information as required by the Investment Fund; approving financial statements (including interim and annual financial statements) and other reports as are required by applicable law from time to time and ensuring that Unitholders are provided with such statements and reports as required; ensuring that the Investment Fund complies with regulatory requirements; preparing the Investment Fund's reports to Unitholders and the Canadian securities regulatory authorities; fulfilling its fiduciary responsibilities; determining the amount of Distributions to be made by the Investment Fund; and negotiating contractual agreements with third-party providers of services, including registrars, transfer agents, auditors and printers

### **Acts Requiring Unitholder Approval**

The following matters relating to the Investment Fund require approval of the Unitholders by Extraordinary Resolution:

- (a) the issuance of additional units at a price less than the most recently calculated NAV per Unit of the relevant class prior to the date of the setting of the issue price;
- (b) a change in the investment objective and strategy of the Investment Fund;
- (c) a change in the investment restrictions of the Investment Fund;
- (d) (A) after the occurrence of Cause (as defined in the Amended and Restated Declaration of Trust) in respect of the Trustee, the removal of the Trustee, (B) after the occurrence of Cause (as defined in the Management Agreement), the removal of the Manager and termination of the Management Agreement, or (C) after the occurrence of Cause (as defined in the Investment Advisory Agreement), the removal of the Investment Advisor and termination of the Investment Advisory Agreement;
- (e) a decrease in the frequency of calculating the NAV per Unit of the relevant class or of redeeming units;
- (f) an amendment, modification or variation in the provisions or rights attaching to the units; or
- (g) any material change in the calculation of performance fees payable to the Manager, including any change in the minimum NAV required for the Manager to earn its performance fee.

The following matters relating to the Investment Fund require approval of the Unitholders by a simple majority vote:

- (a) any change in the basis of calculating fees or other expenses that are charged to the Investment Fund which could result in an increase in charges to the Investment Fund;
- (b) a change of the auditors;
- (c) a reorganization with, or transfer of assets to, another investment fund, if (A) the Investment Fund ceases to continue after the reorganization or transfer of assets; or (B) the transaction results in Unitholders becoming security holders in the other investment fund; or
- (d) a reorganization with, or acquisition of assets of, another investment fund, if (A) the Investment Fund continues after the reorganization or acquisition of assets; (B) the transaction results in the securityholders of the other investment fund becoming Unitholders of the Investment Fund; and (C) the transaction would be a significant change to the Investment Fund.

### **Meetings of Unitholders**

Subject to applicable law, or regulatory requirements, the Investment Fund shall not hold annual Unitholder meetings. A meeting of Unitholders of the Investment Fund may be convened

by the Manager at any time and must be convened if requisitioned by the holders of not less than 10% of the units then outstanding by a written requisition specifying the purpose of the meeting. At any such meeting, each Unitholder will be entitled to one vote for each unit of each class registered in the Unitholder's name. Meetings of Unitholders shall be held at the head office of the Investment Fund, or such other place within the Province of Ontario as the Trustee shall determine and designate.

### **Proxy Voting Guidelines**

The Investment Fund has adopted proxy guidelines (the "Proxy Guidelines") with respect to the voting of proxies received by it relating to voting securities held from time to time by the Investment Fund. Pursuant to the Proxy Guidelines, the Manager will vote proxies in the best interests of Unitholders.

The Proxy Guidelines will apply to the voting of any securities comprising the Liquid Investments as well as voting by the Investment Fund in its capacity as limited partner or equity holder in an Underlying Investment. Given the nature of the securities comprising Liquid Investments which the Investment Fund will hold, it is likely to receive proxies in respect of securities comprising Liquid Investments on an infrequent basis. Similarly, holdings of private equity fund interests will require voting by the Investment Fund on an infrequent basis, on material matters. Ultimately, each vote will be cast on a case-by-case basis, taking into consideration the relevant facts and circumstances at the time of each vote.

The Proxy Guidelines set out various factors that the Manager will consider when voting, or refraining from voting, proxies or underlying interests, including that:

- (a) the Manager will generally vote with management on routine matters relating to the operation of an issuer that are not expected to have a significant economic impact on the issuer or its securityholders, unless the Manager determines that the management recommendation should not be supported because it is not in the best interests of securityholders of that issuer;
- (b) Underlying Investments which are holdings in direct portfolio investments but are subject to a co-investment arrangement will generally be voted as required by such co-investment arrangement; and
- (c) the Manager will review and analyze, on a case-by-case basis, and may in its discretion discuss with the Advisory Board, non-routine proposals and issues which are potentially contentious or that are more likely to have an impact on the value of the investment held by the Investment Fund.

The Investment Fund's Proxy Guidelines are available to Unitholders on request, at no cost, by contacting the Manager at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario M4V 1N6 and will also be made available on the Manager's website at [www.kcpl.ca](http://www.kcpl.ca).

## **Termination of the Investment Fund**

The Investment Fund does not have a fixed termination date unless the Investment Fund has not listed the Units on the Toronto Stock Exchange on or before April 20, 2015 (the “Scheduled Termination Date”), in which case the Investment Fund will terminate on such date.

The Trustee may, in its discretion, terminate the Investment Fund without the approval of Unitholders if, in the opinion of the Manager after consulting with the Advisory Board, the NAV of the Investment Fund has been reduced as a result of redemptions or otherwise such that it is no longer economically feasible to continue the Investment Fund and it would be in the best interests of the Unitholders to terminate the Investment Fund.

Immediately prior to the date of termination of the Investment Fund, the Manager will, to the extent possible, convert the assets of the Investment Fund to cash and the Trustee shall, after paying or making adequate provision for all of the Investment Fund’s liabilities, distribute the net assets of the Investment Fund to Unitholders on a pro rata basis as soon as practicable after the date of termination of the Investment Fund. The termination date will also be a Valuation Date (as defined below) for purposes of calculating fees payable to the Manager, and the Manager’s share of net assets on termination will also be distributed in respect of Units issued to the Manager in satisfaction of such fees.

## **Information and Reports to Unitholders**

The Investment Fund’s fiscal year end is March 31 in each year. The Investment Fund will furnish to Unitholders financial statements (including semi-annual unaudited and annual audited financial statements), accompanied by a management report on fund performance and statements of investment portfolio, as well as quarterly portfolio updates.

The Investment Fund obtained relief from certain provisions of National Investment 81-106 – *Investment Fund Continuous Disclosure* as a result of which (i) the Investment Fund’s statement of investment portfolio will not disclose the current value of each portfolio asset that is an Underlying Investment; and (ii) the Investment Fund’s summary of investment portfolio will not disclose the percentage of net assets of the Investment Fund represented by each of the Investment Fund’s top 25 positions. The Investment Fund will be required to enter into confidentiality agreements with various managers of the Underlying Investments as a condition of investment. These confidentiality agreements may prohibit disclosure of current values and other financial information related to the Underlying Investments. The Investment Fund will disclose the current value of the Underlying Investments according to industry class and geographic region in its statement of investment portfolio, as well as the cost amount for each Underlying Investment. The Investment Fund will also disclose the aggregate current value of the Underlying Investments expressed as a percentage of net assets of the Investment Fund in its summary of investment portfolio.

## **DISTRIBUTIONS**

As the portfolio of Underlying Investments develops and matures, the Manager would expect the Investment Fund to receive an increasing flow of distributions from realizations of Underlying Investments. During the initial years of Investment Fund’s life, these distributions are likely to be re-invested in new Underlying Investments to build up the Investment Fund. The

Manager does not anticipate that any cash Distributions to Unitholders will be made prior to 2010. Thereafter, it is expected that the profits from the sale of portfolio companies held by Underlying Funds, as well as the sale of other Underlying Investments, will provide an ongoing flow of distributions to the Investment Fund, with the opportunity for corresponding distributions to Unitholders.

Eventually, the Investment Fund intends to make distributions to Unitholders of net income and net realized capital gains of the Investment Fund at least annually on the last business day of December, with the potential for additional distributions to be paid quarterly at the discretion of the Manager. Such additional distributions would normally be made on the last business day of March, June or September, as applicable. The Investment Fund may also, at the discretion of the Manager, make special distributions. The Investment Fund may pay distributions in cash or units or a combination thereof.

Proposed amendments to the Tax Act contained in Bill C-10, which was previously before the 39<sup>th</sup> Parliament require that a fund that invests in securities of “foreign investment entities” (as defined) to include in the fund’s income for each taxation year income computed in accordance with certain rules in the Tax Act, whether or not the fund actually receives any income or realizes any gains on such securities. Any such amounts that are included in the net income of the Investment Fund would be distributed to Unitholders in the form of units.

The level of distributions paid by the Investment Fund will vary over time and there can be no assurance that the Investment Fund will make any cash Distributions in any particular year.

If the Investment Fund does not list its units on the TSX on or before the April 20, 2015, the Investment Fund intends to distribute amounts representing the return of originally invested capital (alongside the related net income and net realized capital gains) as distributions are received from private equity funds or other private equity investments are sold where the Manager determines that such amounts cannot be re-invested in Underlying Investments which have an expected time horizon to realization or sale ending on or before April 20, 2015.

## **VALUATION**

The NAV of the Investment Fund on any date will be equal to the difference between the aggregate value of the assets of the Investment Fund and the aggregate value of the liabilities of the Investment Fund on that date, other than liabilities relating exclusively to a specific class of units, as determined from time to time. The NAV will include any net income, net realized capital gains and other amounts payable to Unitholders on or before such date, and before giving effect to any redemptions or issuances of units to be implemented as of such date, expressed in Canadian dollars at the applicable exchange rate on such date and rounded to four decimal places.

The NAV of a class of units of the Investment Fund on any date will be equal to (i) the aggregate value of the property of the Investment Fund on such date less the aggregate amount of the Investment Fund’s liabilities on such date, other than liabilities relating exclusively to a specific class of units, multiplied by a fraction, the numerator of which is the number of units of the class outstanding and the denominator of which is the total number of units of the Investment Fund outstanding minus (ii) all liabilities relating exclusively to the class on such date, as determined from time to time.

The “NAV per Unit of a class” is the NAV of a class of units divided by the number of outstanding units of such class (determined before giving effect to any reinvestment of net income, net realized capital gains or other distributions then payable to Unitholders and before giving effect to any redemptions or issuances of units to be implemented as of such date) as determined from time to time.

The NAV and the NAV per Unit of each class will be calculated by the Manager as of (i) the fifteenth day of each month, or if the fifteenth day is not a business day, on the preceding business day, and (ii) the last business day of each month, or such other date as the Trustee may require (the “Valuation Date”) and posted on the Manager’s website at [www.kcpl.ca](http://www.kcpl.ca) and at such other times as determined by the Manager.

In determining the NAV and the NAV per Unit of each class at any time:

- (a) the value of non-public investments will be determined by the Manager at fair market value in such manner as it may reasonably determine;
- (b) the value of all assets of the Investment Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Investment Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Investment Fund in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the date as of which the NAV and the NAV per Unit of each class is computed;
- (c) the value of any publicly-listed common shares and other securities will be the latest closing price for such common shares or other securities on the principal stock exchange on which they are listed and traded prior to the determination of the NAV and the NAV per Unit of each class;
- (d) the value of any cash on hand or on deposit, prepaid expenses, cash dividends or distributions declared and interest accrued and not yet received, shall be deemed to be the face amount thereof unless the Manager determines that any such asset is not worth the face amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- (e) notes, money market instruments and other debt securities shall be valued by taking the bid price at the calculation time;
- (f) if a Valuation Date is not a business day, then the securities comprising the Underlying Investments and other property of the Investment Fund will be valued as if such Valuation Date were the preceding business day;
- (g) all fees and expenses of the Investment Fund that are based on the NAV and the NAV per Unit of each class will be deducted after the applicable NAV calculation; and
- (h) the liabilities relating exclusively to a specific class of units to be deducted in determining the NAV of that class of units will not be deducted from the NAV of

the other class of units; for example, liabilities to be deducted in determining the NAV of the Units (but which would not be deducted in determining the NAV of the Class F Units) include the service fee payable as described under “Fees and Expenses – Service Fee”.

If an investment cannot be valued under the foregoing rules or if the foregoing rules are at any time considered by the Manager to be inappropriate under the circumstances, then notwithstanding such rules, the Manager will make such valuation as it considers fair and reasonable and, if there is an industry practice, in a manner consistent with industry practice for valuing such investment.

The Investment Fund’s valuation policies may be modified from time to time by the Trustee acting reasonably and in the best interests of Unitholders.

## **FEES AND OTHER EXPENSES**

### **Management Fee**

Pursuant to the Management Agreement, the Manager is entitled receive from the Investment Fund an annual fee, calculated and paid quarterly in advance, equal to 1.95% of the NAV of the Investment Fund calculated as of the Valuation Date that immediately precedes the commencement of the quarter in respect of which the fee is payable, plus applicable taxes.

Pursuant to the agreements governing the Kensington Private Funds, the Manager is entitled to certain management fees and, in some cases, carried interest payments. These amounts will be borne by investors in the Kensington Private Funds, and not the Investment Fund. Should the Investment Fund invest directly in a Kensington Private Fund, the annual management fees (but, for greater certainty, not any carried interest or performance fees) paid by the Kensington Private Fund to the Manager, the Investment Advisor or any of their affiliates, in respect of such investment made by the Investment Fund, will offset the annual management fee paid to the Manager by the Investment Fund. The result of these offsets will be that an investor in the Investment Fund will only ever pay one fund of funds annual management fee to the Manager or the Investment Advisor.

From time to time to encourage a large holding of units, the Manager may, in its sole discretion, reduce the management fee otherwise payable to it and allocate the benefit of such reduced fee to the Unitholder. In such case, the Investment Fund will distribute to the Unitholder an amount equal to the reduction of the management fee. The amount of the management fee reduction is negotiable between the Manager and the Unitholder and will be based, among other factors, on the size of the holdings by the Unitholder in the Investment Fund. Such management fee distributions will be made quarterly by the Investment Fund to the relevant Unitholder, out of the fee payable to the Manager. There is no guarantee that a large holder of Units will receive an effective reduction in management fees, and if the Manager determines to reduce its management fee in respect of one Unitholder, it will not be bound to do so in respect of other Unitholders or subsequent Unitholders.

## **Service Fee**

The Manager will be paid, as an additional fee, by the Investment Fund on a quarterly basis, an amount equal to the service fee to be paid by the Manager to registered dealers whose clients hold Units. No service fee is payable in respect of the Class F Units.

## **Performance Fee**

Commencing in 2010, the Manager is entitled to receive from the Investment Fund an annual performance fee (the "Performance Fee") provided certain conditions are satisfied.

In order for the Manager to become eligible to earn the Performance Fee in any year, the following two criteria must be met: (a) the NAV per Unit of a class must be at least equal to the fully paid NAV per Unit; and (b) 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 as a return of capital) equal to not less than 10% of the fully paid NAV per Unit for each year (the "Performance Hurdle").

The amount of the Performance Fee shall be that amount which results in the Manager receiving 10% of the total amount available to be paid as cash distributions on a cumulative basis since the beginning of 2010, provided that in any given year the Performance Fee will not exceed the amount available for cash distributions in such year, or such lesser amount that will allow the Investment Fund to meet the Performance Hurdle in that year.

## **Ongoing Fees**

The Investment Fund will pay for all expenses incurred in connection with its ongoing operation and administration. It is expected that these expenses will include: mailing and printing expenses for periodic reports to Unitholders; fees payable to the Custodian for acting as custodian of the assets of the Investment Fund including related expenses for electronic mail facilities and publications on the Manager's website; fees payable to the registrar and transfer agent of the units for performing certain financial, record-keeping, Unitholder reporting and general administrative services; fees payable to the auditors, valuers and legal advisors of the Investment Fund; debt service fees (including set-up and commitment fees); taxes; insurance premiums; fees payable to the Advisory Board and the IRC; ongoing regulatory filing fees and listing and other fees; expenses relating to litigation, indemnification or the enforcement and protection of rights relating to the Investment Fund; expenses incurred pursuant to the terms of the agreements governing the Underlying Investments and related agreements; extraordinary expenses (in addition to normal day to day operating expenses); any fees or expenses incurred in connection with the issuance of additional units of the Investment Fund; (including agency fees and sales commissions); agency fees to facilitate any repurchase of units; any reasonable out-of-pocket expenses incurred by the Manager, the Investment Advisor or their agents in connection with their ongoing obligations to the Investment Fund; and any expenditures that may be incurred upon the termination of the Investment Fund.

## INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations generally relevant to Unitholders who are individuals (other than trusts) and who, for purposes of the Tax Act are resident in Canada, deal at arm's length with the Investment Fund and hold their units as capital property. This summary is based upon the facts set out in this Annual Information Form, the current provisions of the Tax Act, the regulations thereunder, the Manager's understanding of the current published administrative policies and assessing practices of the CRA publicly available as of the date hereof, and the specific proposals to amend the Tax Act and regulations thereunder announced prior to the date hereof by the Minister of Finance (Canada) (the "Proposed Amendments"). No assurances can be given that the Proposed Amendments will become law as proposed or at all. This summary is also based on the assumptions that: (i) the Investment Fund was not established and will not be maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act; (ii) none of the securities in the Investment Fund's portfolio will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act; and (iii) none of the issuers of securities in the Investment Fund's portfolio will be a "foreign affiliate" of the Investment Fund within the meaning of the Tax Act.

**This summary is not exhaustive of all possible federal income tax considerations and does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, other than the Proposed Amendments. This summary does not deal with foreign, territorial or provincial income tax considerations, which might differ from the federal considerations summarized herein.**

**This summary is of a general nature only and does not constitute legal or tax advice to any particular investor. Prospective investors are advised to consult their own tax advisors with respect to the tax consequences to them of a prospective investment in Units in their individual circumstances.**

### **Status of the Investment Fund**

Provided that the Investment Fund meets certain prescribed conditions ("minimum distribution requirements") relating to the number of Unitholders, dispersal of ownership of Units and public trading of its Units at such time and provided that its sole undertaking is and continues to be the investing of its funds in property (other than real property or an interest in real property) and the Investment Fund complies with its investment restrictions as described in this Annual Information Form, the Investment Fund will qualify at a particular time as a "mutual fund trust" as defined in the Tax Act. This summary assumes that the Investment Fund will satisfy the minimum distribution requirements at all relevant times, that it elected to be deemed to be a mutual fund trust from the date that it was established to and including the date of such election, and that it has satisfied and will continuously satisfy the mutual fund trust requirements at all relevant times. An additional condition to qualify as a mutual fund trust for purposes of the Tax Act is that the Investment Fund may not be established or maintained primarily for the benefit of non-resident persons unless, at all times, all or substantially all of its property consists of property other than "taxable Canadian property" within the meaning of the Tax Act.

If certain Proposed Amendments released by the Minister of Finance (Canada) on September 16, 2004 are enacted as proposed, the Investment Fund would cease to qualify as a mutual fund trust for purposes of the Tax Act if, at any time after 2004, the fair market value of all Units held by non-residents, or partnerships that are not “Canadian partnerships” for the purpose of the Tax Act, or any combination of the foregoing, is more than 50% of the fair market value of all issued and outstanding Units unless no more than 10% (based on fair market value) of the Investment Fund’s property is at any time “taxable Canadian property” within the meaning of the Tax Act and certain other types of specified property. Restrictions on the ownership of Units are intended to limit the number of Units held by non-residents such that non-residents, partnerships that are not Canadian partnerships, or any combination of the foregoing, may not own Units representing more than 50% of the fair market value of all Units. Bill C-52, which received Royal Assent on June 22, 2007, amended the relevant provision of the Tax Act such that a trust is deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this amendment supersedes the proposed amendments released on September 16, 2004.

Under the Tax Act, certain trusts or partnerships (defined as “SIFT trusts” and “SIFT partnerships”, respectively) the securities of which are listed or traded on a stock exchange or other public market, and that hold one or more “non-portfolio properties” (as defined) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by taxable Canadian corporations. Distributions of such income received by Unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation. The Investment Fund has been formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure, consistent with the provisions of the Tax Act, that it will not be a SIFT trust. The Manager has advised counsel that the securities held by the Investment Fund have been, and will continue to be, managed in such a way to ensure that the Investment Fund will not be a SIFT trust as defined in the Tax Act. This summary assumes that the Investment Fund will at no time be a SIFT trust.

If the Investment Fund were not to qualify as a mutual fund trust, the income tax consequences described below and under “Eligibility for Investment” would in some respects be materially different.

### **Taxation of the Investment Fund**

The taxation year of the Investment Fund will be the period ending December 31 of each year. The Investment Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year computed pursuant to the Tax Act, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Unitholders in the year. Income tax paid by the Investment Fund on any net realized capital gains not paid or payable to its Unitholders is recoverable by the Investment Fund to the extent and in the circumstances provided in the Tax Act.

The Investment Fund intends to achieve its investment objective in part by investing in foreign entities including trusts and corporations other than foreign affiliates. To the extent that any such entity is a “non-resident entity” as described in the Proposed Amendments contained in Bill C-10, which was previously before the 39<sup>th</sup> Parliament (the “FIE Proposals”) it will likely be treated as a foreign investment entity (“FIE”) within the meaning of those proposed amendments. The October 30, 2007 Proposed Amendments would deem the Investment Fund or any partnership in which the Investment Fund is directly, or through another partnership or partnerships indirectly, a member, to include in computing their net income, an amount equal to a prescribed rate of interest multiplied by the “designated cost” (as defined) of an investment in an FIE, regardless of whether they receive an actual distribution from the FIE. The prescribed rate of interest is re-set quarterly, and is set at 3% per annum for the second quarter of 2009. Amounts of deemed FIE income recognized by the Investment Fund or such partnership in respect of an investment in an FIE will be added to the designated cost of such investment. The Investment Fund or such partnership will generally be entitled to offset amounts otherwise includable in income which become payable in respect of the FIE interest against deemed FIE income recognized in respect of the FIE interest. The Investment Fund or such partnership upon disposing of an investment in an FIE may be entitled to a deduction in computing their income equal to the lesser of (i) the total amount of all amounts of deemed FIE income recognized in respect of the particular FIE interest, net of any amounts previously deducted from income in respect of such interest; and (ii) generally, the amount of any capital loss otherwise arising on the disposition of such interest. The FIE Proposals are proposed to apply to taxation years that begin after 2006.

To the extent the Investment Fund holds trust units in its portfolio issued by a trust resident in Canada that is not at any time in the relevant taxation year a SIFT trust, the Investment Fund will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the Investment Fund by such trust in the year, notwithstanding that certain of such amounts may be reinvested in additional units of such issuer. Provided that appropriate designations are made by such trust, net taxable capital gains realized by such trust and taxable dividends from taxable Canadian corporations received by the issuer that are paid or payable by such trust to the Investment Fund will effectively retain their character in the hands of the Investment Fund. The Investment Fund will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by such issuer to the Investment Fund except to the extent that the amount was included in calculating the income of the Investment Fund or was the Investment Fund’s share of the non-taxable portion of capital gains of such issuer, the taxable portion of which was designated in respect of the Investment Fund. If the adjusted cost base to the Investment Fund of such units becomes a negative amount at any time in a taxation year of the Investment Fund, that negative amount will be deemed to be a capital gain realized by the Investment Fund in that taxation year and the Investment Fund’s adjusted cost base of such units will be increased by the amount of such deemed capital gain.

With respect to each issuer in the Investment Fund’s portfolio that is a limited partnership that is not at any time in the relevant taxation year a SIFT partnership, the Investment Fund will be required to include, or subject to certain restrictions will be entitled to deduct, as the case may be, in computing its income, its share of net income, capital gains, losses and capital losses for tax purposes of the issuer (including imputed income in respect of investments in FIEs, where applicable) allocated to the Investment Fund for the fiscal period of the issuer ending in the

Investment Fund's taxation year, whether or not a distribution is received in respect thereof from the issuer.

In general, the adjusted cost base at a particular time to the Investment Fund of units of a limited partnership will be equal to the cost of such units to the Investment Fund plus its share of income and capital gains of such partnership allocated to it for fiscal years of such partnership ending before the particular time less the total of its share of losses and capital losses of the limited partnership allocated to it for fiscal years of the partnership ending before the particular time and the Investment Fund's share of any distributions received from such partnership before the particular time. If the adjusted cost base to the Investment Fund of such units is a negative amount at the end of the fiscal year of such partnership, such amount will be deemed to be a capital gain realized by the Investment Fund and the Investment Fund's adjusted cost base will be increased by the amount of such deemed capital gain.

Each issuer in the Investment Fund's portfolio that is a SIFT trust or SIFT partnership (which will generally include income trusts, other than certain REITs, and certain partnerships, the units of which are listed or traded on a stock exchange or other public market) will be subject to a special tax in respect of (i) income from business carried on in Canada, and (ii) certain income and capital gains in respect of "non-portfolio properties" (collectively, the "Non-Portfolio Income"). Non-Portfolio Income that is earned by a SIFT partnership, or is distributed by a SIFT trust to its Unitholders, will be taxed at a rate that is equivalent to the federal general corporate tax rate plus 13% on account of provincial tax. These rules will generally not apply to taxation years of issuers that end before 2011 where the issuer would have been a SIFT trust or SIFT partnership on October 31, 2006, had the rules applicable to SIFT trusts and SIFT partnerships been in effect on that date, provided that such issuer complies with Department of Finance normal growth guidelines incorporated by reference in the Tax Act. In all other cases, the rules applicable to SIFT trusts and SIFT partnerships will generally apply to the 2007 and later taxation years of a SIFT trust or a SIFT partnership. Non-Portfolio Income that becomes payable by an issuer that is a SIFT trust, or that is allocated to partners in the case of a SIFT partnership, will generally be taxed as though it were a taxable dividend from a taxable Canadian corporation and will be deemed to be an "eligible dividend" subject to an enhanced gross-up and tax credit.

The Investment Fund will also be required to include in its income for each taxation year in respect of debt obligations held by the Investment Fund all interest that accrues to it to the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year.

The Investment Fund will be required to include in its income for a taxation year all dividends received in the year on shares of corporations.

In computing its income for tax purposes, the Investment Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on the loan facility generally to the extent borrowed funds are used to purchase securities for the Investment Fund's portfolio. The Investment Fund may not deduct interest on the loan facility to the extent that borrowed funds are used to fund redemptions.

Proposed Amendments released by the Ministry of Finance (Canada) on October 31, 2003 (the "October 31, 2003 Proposed Amendments") propose that the Tax Act be amended to

require, for taxation years commencing after 2004, that there be a “reasonable expectation of cumulative profit”, determined without reference to capital gains, from a business or property in order for a taxpayer to have a loss from the business or property. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Proposed Amendments would be released for comment. To date, no such alternative proposal has been released.

The Investment Fund may invest directly, or through one or more partnerships, in securities that are not denominated in Canadian dollars. Cost, proceeds of disposition of securities, distributions, interest and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars in accordance with the rules set out in the Tax Act. The Investment Fund may realize gains or losses by virtue of the fluctuation in the value of foreign currencies relative to Canadian dollars.

The Investment Fund may derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. To the extent that such foreign tax paid does not exceed, in the case of income from property, 15% of such income and has not been deducted in computing the Investment Fund’s income, the Investment Fund may designate a portion of its foreign source income in respect of a Unitholder so that such income and a portion of the foreign tax paid by the Investment Fund may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act. To the extent that such foreign tax paid by the Investment Fund, in respect of property income, exceeds 15% of the amount included in the Investment Fund’s income from such investments, such excess may generally be deducted by the Investment Fund in computing its income for the purposes of the Tax Act.

The Investment Fund has elected in accordance with the Tax Act to have each of its “Canadian securities” (as defined in subsection 39(6) of the Tax Act) treated as capital property. Such an election will ensure that gains or losses realized by the Investment Fund on dispositions of Canadian securities will be taxed as capital gains or capital losses.

The Investment Fund generally intends to deduct in computing its income in each taxation year for purposes of the Tax Act the full amount available for deduction in each year and therefore, provided that the Investment Fund makes distributions in each year of its net income including net realized capital gains as described under the heading “Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act other than such tax on net realized capital gains that would be recoverable by it in such year.

The Tax Act provides for a special tax on designated income of certain trusts which have designated beneficiaries. This special tax does not apply to a trust for a taxation year if the trust is a mutual fund trust throughout such year. Accordingly, provided that the Investment Fund qualifies, or is deemed to qualify, as a mutual fund trust throughout a taxation year, it will not be subject to the special tax for such taxation year.

## **Taxation of Unitholders**

A Unitholder will generally be required to include in the calculation of the Unitholder’s income for a taxation year under the Tax Act the net income and the net realized taxable capital

gains of the Investment Fund paid or payable to the Unitholder in the year or deemed so paid or payable, whether received in cash or distributed in the form of or reinvested in additional units, including in the case of a Unitholder who receives distributions in respect of management fee reductions, to the extent such distributions are paid out of net income and net capital gains of the Investment Fund. To the extent that distributions by the Investment Fund to a Unitholder in any taxation year exceed the net income including net realized capital gains of the Investment Fund for the year computed pursuant to the Tax Act, such distributions generally will not be included in the calculation of the Unitholder's income for the year but will reduce the adjusted cost base of the Unitholder's units.

The Manager will designate to the extent permitted by the Tax Act the portion of the net income distributed to Unitholders as may reasonably be considered to consist of net realized taxable capital gains of the Investment Fund net of realized capital losses and net capital loss carry forwards, and the taxable dividends (including eligible dividends) received, or deemed to be received, by the Investment Fund on shares of taxable Canadian corporations and foreign source income of the Investment Fund. Any such designated amount will be deemed for purposes of the Tax Act to be received or realized by Unitholders in the year as a taxable capital gain or taxable dividend from a taxable Canadian corporation or foreign source income, as the case may be and qualifying foreign tax paid by the Investment Fund shall be treated as foreign tax paid by the Unitholder for the purpose of the foreign tax credit provisions of the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the normal gross-up and dividend tax credit rules including those applicable to "eligible dividends" will apply. In addition, provided that appropriate designations are made by the Manager in respect of foreign income or gains of the Investment Fund, for the purpose of computing any foreign tax credit available to a Unitholder, and subject to the rules in the Tax Act, the Unitholder will be deemed to have paid as tax to the government of a foreign country the Unitholder's share of the taxes paid or considered to be paid by the Investment Fund to that country.

Any loss of the Investment Fund for purposes of the Tax Act cannot be allocated to, and cannot be treated as the loss of, a Unitholder.

Under the Tax Act, a trust is permitted to deduct in computing its income an amount which is less than the amount of its distributions. This will enable the Investment Fund to utilize, in a particular taxation year, losses from prior years without affecting the ability of the Investment Fund to distribute its income annually. The amount distributed to a Unitholder but not deducted by the Investment Fund will not be required to be included in the income of the Unitholder. However, unless such amount relates to the non-taxable portion of capital gains, the taxable portion of which has been allocated to the Unitholder, the adjusted cost base of the Unitholder's units would be reduced by such amount.

The NAV per Unit of a class will reflect any income and gains of the Investment Fund that have accrued or have been realized but not made payable at the time units are acquired. Consequently, Unitholders that acquire additional units may become taxable on their share of income and gains of the Investment Fund that accrued or were realized before the units were acquired and not made payable at such time.

Upon the actual or deemed disposition of a unit, including on a sale or redemption, a capital gain (or capital loss) will generally be realized by the Unitholder to the extent that the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base to the Unitholder of the unit and any reasonable costs of disposition.

A Unitholder will realize a capital gain in an amount equal to the value, if any, of the right granted by the Unitholder to the Manager to purchase a unit tendered by the Unitholder for redemption, if any. It is the opinion of the Manager that the value of such right is nil, although this is not binding on the CRA.

For the purpose of determining the adjusted cost base to a Unitholder, when a unit is acquired, the cost of the newly-acquired unit will be averaged with the adjusted cost base of all of the units owned by the as capital property before that time.

One-half of any capital gains ("taxable capital gains") realized will be included in computing the income of a Unitholder and one-half of any capital loss realized may be deducted against taxable capital gains in accordance with the provisions of the Tax Act.

Unitholders are generally subject to an alternative minimum tax. Amounts designated as eligible dividends, and net realized capital gains paid or payable to a Unitholder by the Investment Fund or realized on the disposition of units by the Unitholder may increase the Unitholder's liability for alternative minimum tax.

## **RISK FACTORS**

### **Risks Associated with Investing in the Investment Fund**

#### ***Lack of Liquidity***

There is currently no market through which the units may be sold and purchasers may not be able to sell the units until such time as a secondary trading market develops. There can be no assurance that a secondary trading market for the units will develop or if it develops, be sustained.

#### ***Lack of Operating History***

The Investment Fund was formed in April 2007 and has only a brief operating history. The Investment Fund has only limited historical financial statements or other meaningful operating or financial data by which its performance may be measured. While the Manager and Investment Advisor have experience managing private equity investments, have invested for a number of years in a manner similar to that contemplated by the Investment Fund and have compiled a record of historical performance set forth elsewhere in this Annual Information Form, past results can be no assurance of future results or profitability.

#### ***Reliance on the Manager and the Investment Advisor***

The Investment Fund is managed exclusively by the Manager and the Investment Advisor, with all investment decisions being made by the Investment Advisor. Unitholders will

not be able to make investment or other decisions regarding the Investment Fund. The Investment Fund's ability to achieve its investment objective depends on the ability of the Manager and the Investment Advisor to effectively implement the Investment Fund's investment strategy. Consequently, the Investment Fund's success depends to a great degree on the skill and experience of the investment personnel of the Manager and the Investment Advisor. If the Manager and the Investment Advisor were to lose the services of their key investment personnel, they may not be able to find or retain satisfactory replacements.

### ***Private Equity Investment Process and Cash Management Policy***

The Manager intends to conduct extensive due diligence with respect to the Investment Fund's private equity investments and, as a result, suitable investment opportunities may not be immediately available. It may take a significant amount of time to fully commit and invest the Investment Fund's capital in Underlying Investments, which will result in lower returns during the initial years of the Investment Fund. The Investment Fund cannot predict how long it will take to deploy its capital in Underlying Investments. Timing will depend on, among other things, the availability of suitable private equity investment opportunities, including the availability of co-investment opportunities and opportunities to acquire secondary private equity investments from existing private equity investors. Under the Investment Fund's cash management policy, the Investment Fund invests in Liquid Investments which are expected to generate returns that are substantially lower than the returns the Investment Fund anticipates receiving from Underlying Investments. There may also be a high degree of variability between the returns generated by different types of Liquid Investments.

### ***Taxation of the Investment Fund and Unitholders***

There can be no assurance that Canadian federal income tax laws respecting the treatment of trusts or mutual fund trusts will not be changed in a manner that adversely affects Unitholders. If the Investment Fund ceases to qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

Under the Tax Act, certain trusts or partnerships (defined as "SIFT trusts" and "SIFT partnerships", respectively) the securities of which are listed or traded on a stock exchange or other public market and that hold one or more "non-portfolio properties" (as defined) are effectively taxed on income and capital gains in respect of such non-portfolio properties at combined rates comparable to the rates that apply to income earned and distributed by taxable Canadian corporations. Distributions of such income received by unitholders of SIFT trusts (and allocations of such income made to members of SIFT partnerships) are treated as eligible dividends from a taxable Canadian corporation. The Investment Fund is formed to provide investors with exposure to portfolio investments and is subject to investment restrictions intended to ensure, consistent with the provisions of the Tax Act applicable to SIFT trusts, that it will not be a SIFT trust. The securities held by the Investment Fund will be managed in such a way to ensure that the Investment Fund will not be a SIFT trust as defined in the Tax Act. If the Investment Fund were to qualify as a SIFT trust within the meaning of the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects.

Certain issuers of securities included in the portfolio of the Investment Fund may be SIFT trusts or SIFT partnerships. In such event, the after-tax returns realized by Unitholders may be reduced to the extent that the Investment Fund receives distributions of income or capital gains from such SIFT trusts or SIFT partnerships. In addition, it is possible that SIFT trusts or SIFT partnerships may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Investment Fund. Finally, the provisions of the Tax Act applicable to SIFT trusts and SIFT partnerships have had, and may continue to have, an effect on the trading price of interests in trusts and limited partnerships that may be affected by such provisions.

The FIE Proposals require a fund that invests in securities of FIEs to include in the fund's income for each taxation year income computed in accordance with certain rules in the Tax Act, whether or not the fund actually receives any income or realizes any gains on such securities. Any such amounts that are deemed to accrue to the Investment Fund in excess of expenses deductible by the Investment Fund will be distributed to Unitholders and paid in units, and in an amount which may not reflect the performance of the Investment Fund's investment in securities of FIEs. Income distributed in this manner will be included in the Unitholder's income under the Tax Act and taxes may be payable in respect of such amounts notwithstanding that the Investment Fund may not have made any cash distributions during the relevant period. The Investment Fund does not expect to pay any cash distributions prior to 2009 and thereafter there can be no assurance that the Investment Fund will make cash distributions in a given year. While the Investment Fund intends to calculate its net income based on the FIE Proposals, and make distributions to Unitholders accordingly, there can be no assurance that the FIE Proposals will be enacted as proposed, or that any successor proposed amendments will not materially and adversely affect the Investment Fund or Unitholders. It is proposed that the FIE Proposals will take effect for taxation years that begin after 2006.

The October 31, 2003 Proposed Amendments propose that the Tax Act be amended to require, for taxation years commencing after 2004, that there be a "reasonable expectation of cumulative profit", determined without reference to capital gains, from a business or property in order for a taxpayer to have a loss from the business or property. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, 2003 Proposed Amendments would be released for comment. To date, no such alternative proposal has been released. There can be no assurance that such alternative proposal will not have an adverse effect upon the Investment Fund.

Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance (Canada) released Proposed Amendments (the "September 16, 2004 Proposed Amendments"), which propose that a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships, or any combination thereof, is more than 50% of the aggregate fair market value of all units issued by the trust where, at that time or any previous time, more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. The Investment Fund will likely hold taxable Canadian property in excess of this 10% limit. If the September 16, 2004 Proposed Amendments are enacted as proposed, and if these circumstances applied to the Investment

Fund, the Investment Fund would thereafter cease to be a mutual fund trust and the income tax considerations as described under “Canadian Federal Income Tax Considerations” and under “Eligibility for Investment” would in some respects be materially different. The September 16, 2004 Proposed Amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion which did not include these proposed changes pending further consultation with interested parties. Included in Bill C-52, introduced in the House of Commons on March 29, 2007, is a proposal to amend the current provision such that a trust is deemed not to be a mutual fund trust after any time when it can be reasonably considered that the trust was established or maintained primarily for the benefit of non-resident persons, unless at that time all or substantially all of its property is property other than taxable Canadian property. It is not clear whether this proposal supersedes the September 16, 2004 Proposed Amendments.

### ***Fluctuation in Net Asset Value***

The NAV per Unit will vary based on, among other things, the value of the Investment Fund’s Liquid Investments, the value of the securities of the Underlying Funds and other Underlying Investments, the performance of the capital markets and commodities markets generally, foreign exchange rates and interest rates. Fluctuations in the values of the Investment Fund’s investments may occur for a number of reasons beyond the control of the Manager and the Investment Advisor. A substantial portion of the investments made by the Investment Fund, including investments that are made through the Underlying Funds, will be in the form of investments for which no published market exists. The Manager will be required to make good faith determinations as to the fair value of these investments on a quarterly basis in connection with the calculation of NAV and the preparation of the Investment Fund’s financial statements. In many cases, the Manager will be basing its determinations largely on fair value determinations made by the managers of the Underlying Funds. The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold. As the price paid to redeeming Unitholders on a redemption is based on NAV per Unit, any uncertainty in the calculation of NAV may adversely affect such redeeming Unitholders or non-redeeming Unitholders.

### ***Trading Price of Units***

Units may trade in the market at a premium or a discount to the NAV per Unit of a class and there can be no assurance that the Units will trade at a price reflecting the NAV per Unit of a class.

### ***Potential Conflicts of Interest***

The Manager, the Investment Advisor and their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of, or may render advice to, the Kensington Private Funds and to any other account or fund that invests primarily in private equity fund securities. The Investment Advisor may have a conflict of interest in rendering advice to the Investment Fund because the benefit the Investment Advisor and its managing directors may receive from managing Kensington Private

Funds or some other accounts may exceed the benefit from managing the Investment Fund's account, and, therefore, may provide an incentive to favour such other accounts. The Manager intends that any other such private equity investment mandates will be carried out in a manner that either enhances or is neutral to the investment performance of the Investment Fund. See "Conflicts of Interest".

Allocation of investment opportunities between the Investment Fund and a Kensington Private Fund and among different pools of capital managed by the Manager or the Investment Advisor will be reviewed and approved by the Independent Review Committee in accordance with NI 81-107, to ensure that the investment objective of the Investment Fund is observed, and that the Investment Fund is not adversely affected by other private equity investment activities of the Manager.

Although none of the directors or officers of the Manager or the Investment Advisor will devote his or her full time to the business and affairs of the Investment Fund, each will devote as much time as is necessary to the management of the business and affairs of the Investment Fund. Although officers, directors and professional staff of the Manager and the Investment Advisor will devote as much time to the Investment Fund as the Manager and the Investment Advisor deem appropriate to perform their respective duties in accordance with the Management Agreement and the Investment Advisory Agreement, the Manager's and the Investment Advisor's investment personnel may have conflicts in allocating its time and services among the Investment Fund's investment portfolio and the other investment portfolios managed by the Manager and the Investment Advisor.

### ***Legal, Tax and Regulatory Risks***

Legal, tax and regulatory changes in Canada or in other countries where the Investment Fund has direct or indirect investments could have an adverse effect on the Investment Fund, its Distributions or Unitholders. The legal, regulatory and tax considerations in Canada, and the legal, regulatory, tax considerations in other jurisdictions affecting the ability of the Investment Fund to achieve its investment objective are complicated and subject to change, which may affect the performance of the Investment Fund.

### ***Status of the Investment Fund for Securities Law Purposes***

The Investment Fund is not a "mutual fund" for securities law purposes. As a result, some of the protections provided to investors in mutual funds under such laws will not be available to investors in the Units and restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Investment Fund.

### ***Number of Underlying Investments***

The Investment Fund will invest in a limited number of Underlying Investments, some of which will involve a high degree of risk, and, as a consequence, the aggregate return of the Investment Fund may be adversely affected by the unfavourable performance of any single Underlying Investment.

### ***Availability of Investments***

There is no guarantee that suitable investment opportunities for the Investment Fund's capital will be found, that investments on favourable terms can be negotiated or that the Investment Fund will be able to realize on the value of its Underlying Investments or the value of the investments made by the Underlying Funds. Among other factors, competition for suitable portfolio investments from companies, the public equity markets and other investors may reduce the availability of investment opportunities. There has been significant recent growth in the number of firms organized to make private equity investments throughout the world, which may result in increased competition in obtaining suitable investments.

### ***Management of Investment Fund's Capital***

The Manager and the Investment Advisor intend to employ the commonly used private equity investment strategy of over-committing the Investment Fund's capital to Underlying Investments in an effort to ensure that the Investment Fund's capital is fully or substantially invested in Underlying Investments on a continuous basis. This over-commitment strategy is utilized because Underlying Funds generally will not draw down all of the capital commitments made by the Investment Fund before the Underlying Funds start returning capital to the Investment Fund. If the Manager and Investment Advisor are unable to maintain full or substantial investment of the Investment Fund's capital in Underlying Investments, the investment returns realized by the Investment Fund may be lower than would be otherwise. However, use of the over-commitment strategy could also result in the Investment Fund having to borrow to meet its capital commitments in certain circumstances or defaulting on its capital commitment obligations, either of which could have an adverse effect on the Investment Fund's performance.

### ***Use of Leverage***

The Manager has the discretion to use debt to fund obligations of the Investment Fund. While there are limitations on the amount of debt that may be incurred by the Investment Fund, the use of financial leverage adds financial risk to any investment.

### ***Default on Investment***

In addition to the various methods of recourse available to the Investment Fund against the Unitholders described under "Details of the Offering — Instalment Receipts", if the Instalment Receipts purchased by a defaulting Unitholder cannot be transferred to another person with the result that Units represented by the Instalment Receipts will be forfeited and cancelled, the Investment Fund will have less proceeds available for investment than it had anticipated. The effects of such a shortfall of proceeds available for investment may limit the Investment Fund's ability to execute its investment strategy and meet its investment objective.

### ***Exchange Rate Fluctuations***

A substantial portion of the Investment Fund's assets are invested in non-Canadian private equity funds or funds of funds and the income received by the Investment Fund will be

denominated in the local currency of investment, whereas a Unitholder's investment in and Distributions from the Investment Fund will be made in Canadian dollars. Therefore, the amount of the distributions made by the Investment Fund, as well as the dollar-denominated value of the Investment Fund's portfolio investments and the NAV of the Investment Fund, may be adversely affected by changes in the value of such local currency relative to the Canadian dollar.

### ***Currency Hedging***

While the Manager may pursue hedging strategies in order to mitigate the risk of exchange rate fluctuations, there is no guarantee that such strategies will be successful.

### **Risks Associated with Underlying Private Equity Investments**

The following risk factors relate specifically to investments in private equity funds and portfolio investments. These considerations will be relevant to an investment in the Units, which are dependent on the performance of the Underlying Funds and other Underlying Investments.

### ***Limited Information Regarding the Portfolio Companies***

A substantial portion of the Investment Fund's assets are invested in non-Canadian private equity funds or funds of funds and the income received by the Investment Fund will be denominated in the local currency of investment, whereas a Unitholder's investment in and Distributions from the Investment Fund will be made in Canadian dollars. Therefore, the amount of the distributions made by the Investment Fund, as well as the dollar-denominated value of the Investment Fund's portfolio investments and the NAV of the Investment Fund, may be adversely affected by changes in the value of such local currency relative to the Canadian dollar.

### ***Competitive Market for Investment Opportunities***

The Underlying Funds compete with a large number of other private equity funds, mezzanine funds, investment banks and other equity and non-equity based investment funds, and other sources of financing, including traditional financial services companies such as commercial banks. Competitors may have a lower cost of funds and may have access to funding sources that are not available to the Underlying Funds. In addition, certain competitors of the Underlying Funds may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. There is no assurance that the competitive pressures faced by the Underlying Funds will not have a material adverse effect on their business, financial condition and results of operations. Also, as a result of this competition, the Underlying Funds may not be able to take advantage of attractive investment opportunities from time to time and there can be no assurance that they will be able to identify and make investments. In addition to third parties, the Underlying Funds may compete against each other for investment opportunities.

### ***Accounting and Disclosure Standards; Limited Information***

The Underlying Funds may have or make investments in any part of the world, including in countries where accounting, auditing, financial and other reporting standards, practices and disclosure requirements are not equivalent to those in Canada, the United States and Europe and

may differ in fundamental ways. Accordingly, information available to the Underlying Funds and, consequently, to the Investment Fund, including both general economic and commercial information and information concerning specific enterprises or assets, may be less reliable and less detailed than information available in more economically sophisticated countries.

### ***Economic Recessions or Downturns***

The Underlying Funds may make investments in companies that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, these companies may experience decreased revenues, financial losses, difficulty in obtaining access to financing and increased funding costs. During such periods, these companies may also have difficulty in expanding their businesses and operations and may be unable to meet their debt service obligations or other expenses as they become due. Any of the foregoing could cause the value of an Underlying Fund's investments to decline.

### ***Illiquidity of Investments***

Most, if not all, of the investments of the Underlying Funds will be highly illiquid, and there can be no assurance that any Underlying Fund will be able to realize on its investments in a timely manner or at all, which may also make the Underlying Investments difficult to value. Illiquidity may result from the absence of an established market for the investments as well as legal or contractual restrictions on their resale. In addition, private equity investments by their nature are often difficult or time consuming to liquidate.

### ***Changes in Laws or Regulations***

Additional laws may apply to the Underlying Funds and the portfolio companies that they hold. Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application may also change from time to time and those changes could have a material adverse effect on an Underlying Fund's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on the business, investments and results of operations of the Underlying Funds.

### ***Reliance upon Borrowed Funds***

Because private equity investments rely on the use of leverage, the ability to achieve attractive rates of return on private equity investments will depend on the Underlying Funds' continued ability to access sources of debt financing at attractive rates. An increase in either the general levels of interest rates or in the risk spread demanded by lenders would make it more expensive to finance private equity investments. Increases in interest rates could also make it more difficult to locate and consummate private equity investments because other potential buyers, including operating companies acting as strategic buyers, may be able to bid for an asset at a higher price due to a lower overall cost of capital. Availability of capital from debt capital markets is subject to significant volatility and the Underlying Funds may not be able to access those markets at attractive rates, or at all, when completing a private equity investment. Any of the foregoing circumstances could have a material adverse effect on the financial condition and results of operations of the Underlying Funds.

### ***Investments in Less Established Companies***

The Underlying Investments will include Underlying Funds that may invest in the securities of less established companies and may also include direct investments in such companies. Investments in such companies may involve greater risks than are generally associated with investments in more established companies.

### ***Dependence on Key Management Personnel***

The Investment Fund's investment strategy is primarily focused on investing in underlying private equity funds managed by other fund managers. As such, the performance of the Investment Fund's investments will depend upon the ability of the underlying fund managers to source, select, complete and realize appropriate investments. In the case of the Investment Fund's international investment portfolio, reliance will be placed on fund managers managing private equity funds and funds of funds in which the Investment Fund invests. The performance of these investments will in turn depend upon the managers of the underlying private equity funds and portfolio companies in which they invest.

### ***Leveraged Nature of Investments***

Underlying Funds may invest in highly leveraged companies which involves a high degree of risk. Some of the Underlying Funds' investments in portfolio companies may involve leverage, which in turn will increase the exposure of the portfolio companies to adverse economic factors such as downturns in the economy or deteriorations in the condition of the portfolio company or its industry. In the event any such portfolio company cannot generate adequate cash flow to meet debt service, the Underlying Fund may suffer a partial or total loss of capital invested in the portfolio company that, depending upon the size of the Underlying Fund's investments, could adversely affect the return of capital to the Investment Fund. The Investment Fund may also make direct investments in such companies and the Investment Fund would be exposed to similar risks. In addition, the Investment Fund may use leverage in making Underlying Investments which could expose the Investment Fund to direct exposure to the risks associated with leveraged investing.

### ***Investment in Restructurings of Distressed Companies***

The Underlying Funds may make investments in restructurings of distressed or non-performing companies or assets which involve a high degree of financial risk and are experiencing or are expected to experience severe financial difficulties, which may never be overcome.

## **MATERIAL CONTRACTS**

The following contracts can reasonably be regarded as material to purchasers of units:

- (a) The Amended and Restated Declaration of Trust described under “the Investment Fund – Name and Formation”;
- (b) the Management Agreement described under “Management of the Investment Fund - The Manager – Management Agreement”; and
- (c) the Investment Advisory Agreement described under “Management of the Investment Fund - The Investment Advisor – Investment Advisory Agreement”.

### **CUSTODIAN**

CIBC Mellon Global Securities Services Company (the “Custodian”) provides custodial services to the Investment Fund and holds the account to which the Investment Fund transfers and deposits its earnings. The Custodian’s offices are located at 320 Bay St., Toronto, Ontario. The Custodian has appointed CIBC Mellon Trust Company as its administrative agent to provide administrative services in connection with the custodial arrangements.

### **REGISTRAR AND TRANSFER AGENTS**

The registrar and transfer agent of the Investment Fund is CIBC Mellon Trust Company. The principal office of the registrar and the place where the securities registrar for the units is kept is located at 100 University Ave, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1.

### **AUDITOR**

The auditors of the Investment Fund are Deloitte & Touche LLP. The principal office of the auditors is BCE Place, 181 Bay Street, Suite 1400, Toronto, Ontario M5J 2V1.

## **ADDITIONAL INFORMATION**

Additional information about the Investment Fund is available in the Investment Fund's management reports of fund performance and financial statements.

Copies of these documents are available at no cost by calling collect (416).362.9000. These documents and other information about the Investment Fund, such as material contracts, are also available at [www.sedar.com](http://www.sedar.com).

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