



**KENSINGTON GLOBAL PRIVATE EQUITY FUND**

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

For the period from  
April 1, 2009 to September 30, 2009

November 27, 2009

This interim management report of the performance of the Kensington Global Private Equity Fund (the "Investment Fund") contains financial highlights as well as the Investment Fund's semi-annual financial statements for the period ended September 30, 2009. You may obtain a copy of the interim financial statements, Investment Fund's proxy voting policies and procedures, proxy voting disclosure record or portfolio disclosure at your request, and at no cost, by calling 416-362-9000, by writing to us at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6, or by visiting our website at [www.kcpl.ca](http://www.kcpl.ca) or SEDAR at [www.sedar.com](http://www.sedar.com).

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Kensington Global Private Equity Fund (the "Investment Fund") is an investment trust established under the laws of the Province of Ontario. The Investment Fund was created to provide exposure to a diversified portfolio of global private equity investments, including private equity funds, funds of private equity funds and direct investments in private companies. Most of these investments are not available in the public market. In the private market, private equity fund investments are typically not accessible to individual and smaller institutional investors because of high minimum investment thresholds, often in excess of \$5 million. Kensington Capital Partners Limited (the "Manager" and "Trustee") believes that investing in private equity will continue to offer the potential for attractive long-term total returns, which have historically outperformed public equity markets, and also provides risk reduction through diversification for traditional investment portfolios. Kensington Investment Management Inc. (the "Investment Advisor"), a wholly-owned subsidiary of the Manager, provides investment advisory and portfolio management services to the Investment Fund. The Investment Advisor is responsible for making all investment decisions.

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". All amounts stated throughout this report are in Canadian dollars unless otherwise noted.

As of November 27, 2009, the Investment Fund has a total of 2,427,948 Units outstanding which were issued for total net proceeds of \$48,344,855.

### RECENT DEVELOPMENTS - OVERVIEW OF PRIVATE EQUITY MARKET CONDITIONS

The period from April 1 through September 30, 2009, was marked by a strong recovery in public equity market values following the sharp declines in the preceding seven months. Investors gained confidence in the economy, as Governments worldwide initiated large stimulus spending programs, interest rates remained at historically low levels and corporate profits began to recover. In Canada, equity market values accompanied significant gains in commodity prices. By mid-summer, the Bank of Canada had declared that the recession had ended, even while unemployment continued to grow and the rise of the Canadian dollar threatened the fragile recovery.

Against this backdrop, private equity markets remained very quiet, with very few new transactions being completed. Private equity firms continued to offer cyclically low purchase prices reflecting the weak economy and lack of available credit, leading most business owners to conclude that it was not the right time to sell their companies. Through the last year, most private equity firms have focused on their existing portfolio companies by cutting costs, refocusing business plans and, where necessary, repairing impaired balance sheets with new capital injections and re-negotiating credit terms with lenders.

The global scale and scope of the economic recession has affected all investors, including private equity funds. It is now clear that several leveraged buyouts were completed at the top of the market in 2006-2007 with too much debt and were priced at high earnings multiples with little margin for error. These were most prevalent among the very large multibillion dollar "mega-deals", where buyers outbid high public market prices and lenders eagerly provided debt financing with "covenant light" loans. With hindsight, it is not surprising to see some of these investments now impaired, as recessionary earnings shortfalls cause companies to fail to meet debt service requirements.

Investors should clearly note that these stories, even though they generate lots of publicity, are the exceptions, and are not symptomatic of the general private equity markets. The overwhelming majority of private equity investments occur in the mid-market, with private companies valued in the range of \$50 million to \$500 million, away from the public spotlight. Most of these investments are acquired at prices far below public market comparables, in the range of four to seven times earnings (EBITDA) and without excessive leverage. The overwhelming majority of these investments are not in default, and are not at risk. The portfolio of the Investment Fund reflects this broader market, with only a small exposure to the large mega-deal segment, and several companies which have increased sales and earnings this year. Against all of the volatility seen in the capital markets since mid-2007 when the Investment Fund was formed, the value of the Units has declined from their issue price by approximately 12%, and none of that decline is the result of any realized

losses. The Manager remains generally positive about the outlook for the companies in the Investment Fund portfolio.

Even though it represents only a small part of the overall portfolio, the Manager has focused on these larger private equity funds in recent months to understand and address their weaker performance. In many cases, the lack of strong debt covenants has allowed these companies (and their investors) to repair balance sheets and rationalize their business without defaulting on their loan agreements. Even for those who are in default, the most experienced and skilled investors have in many cases been able to renegotiate terms with the cooperation of their lenders and other stakeholders. The Manager continues to actively monitor the performance of this part of the Investment Fund portfolio with particular care.

As the economy stabilizes, sellers are becoming more accustomed to current values and the volume of private equity transactions is growing. The scale of disruptions in the world's economies and corresponding adjustments in the financial markets have created a large opportunity for smart well-funded investors. The Investment Fund's underlying combined portfolios currently have over \$100 billion of equity capital available to invest worldwide. The best managers are methodically evaluating the opportunities in these markets, and selecting those which they believe have the strongest growth potential - where real operating improvements can be made to realize that upside. The transactions that are closing now are those that do not rely on high debt ratios to achieve desired results, but rather on opportunities for revenue growth and increasing operating efficiencies. Those fund managers with the skill and experience to drive those improvements are active in the market today.

As we look forward from November 2009, we see many positive signs in the economy and the markets. While still fragile, the overall economy appears to be recovering, with unemployment stabilizing, commodity prices rising and stronger performance in many sectors. Most importantly, public equity markets have strengthened to the point where large financings are being completed and filings for new IPOs have returned. Strategic buyers have also begun to return to the Mergers & Acquisitions market, sensing that prices have stabilized. Many private equity funds, including several within the portfolio of the Investment Fund, have been holding mature companies for more than 18 months waiting for a recovery in these exit markets. The Manager has good reasons to expect that several of these companies will achieve successful exits in these recovering markets in 2010.

The key to current private equity markets remains focus and caution, both in new investments and in exit transactions. Well thought through transactions will get completed and fundamental business improvements will continue to drive value.

When the Investment Fund was initially launched in April 2007, the Manager's plan was to invest in a manner that would build a portfolio of maturing investments over time, sufficient to provide a steady rate of exit transactions to permit distributions to begin in 2010. The Manager believes that the Investment Fund remains on track to execute that overall plan of investment harvesting and distributions to Unitholders, provided that public equity markets maintain a reasonable degree of stability.

## **INVESTMENT OBJECTIVE AND STRATEGIES**

The Investment Fund's investment objective is to maximize long-term total returns for Unitholders through distributions of realized income and capital gains from underlying investments ("Underlying Investments"), while managing risk through prudent diversification.

In order to achieve the investment objective, the Investment Fund invests in selected private equity funds managed by experienced private equity fund managers that have strong track records and whose own financial interests are closely aligned with those of their investors. The Investment Fund also invests directly in private equity opportunities, primarily (but not exclusively) alongside those same fund managers and other fund managers well known to the Manager through other investment and business experience. 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 Structure**

The Investment Fund invests directly in underlying private equity funds, including funds of private equity funds, (collectively, "Underlying Funds") by committing and advancing capital to Underlying Funds. The Investment Fund also invests capital directly in portfolio companies, typically alongside other private equity

funds. In some cases, Underlying Investments are acquired on a secondary basis from other private equity investors. Capital held by the Investment Fund pending investment in private equity investments is invested in a variety of financial products (“Liquid Investments”) such as cash and cash equivalents, government securities, money market instruments and investment-grade securities, as well as listed securities of private equity funds and other securities consistent with the overall objectives of liquidity, capital preservation and an appropriate return.

## **Risk**

The Investment Fund is subject to a number of risks, including all of the risks described in the prospectus qualifying the initial offering. In addition, the Investment Fund, like all financial investments, has been exposed to increased volatility in the credit markets and foreign exchange markets during the period under review (see “Overview of Private Equity Market Conditions”).

## **Valuation**

The private equity investments made by the Investment Fund, including investments that are made through Underlying Funds, are investments for which no published market exists. The process of valuing investments for which no published market exists is based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments and may differ from the prices at which the investments may be sold.

Recent changes to accounting requirements and evolving industry standards have moved the private equity industry to adopt “fair value” reporting, which means that private equity managers now re-value their portfolios on a regular basis. Today, many private equity fund managers value their portfolios on a quarterly basis, with portfolio valuations reviewed annually by their auditors.

The Manager is required to make good faith determinations as to the fair value of the investments and report the net asset value (“NAV”) of the Investment Fund twice each month, and on a semi-annual basis in connection with the preparation of the Investment Fund’s financial statements. Generally, the Manager bases the valuation of the Investment Fund on fair value determinations made by the managers of the Underlying Funds. These managers typically provide a report of their own portfolio valuations to the Investment Fund no more frequently than quarterly (except where material transactions are completed between quarterly periods), which is standard practice in the private equity industry. As a result, the valuation of Underlying Investments reported by the Investment Fund is expected to have a low level of volatility.

## **RESULTS OF OPERATIONS**

### **Current Portfolio of Underlying Investments**

Following completion of the initial offering, the Manager set out to construct a portfolio of diversified private equity investments:

- consisting mainly of investments in private equity funds to provide the diversification required to manage risk, but including allocations to direct investments in companies to enhance returns;
- including a significant allocation to secondary investments to accelerate the time horizon from normal primary fund capital flows and returns;
- focused primarily on the buyout sector, but including other sectors, in order to attempt to provide investors with access to the complete private equity market in a single investment; and
- providing investors with access to private equity investments in Canada, the U.S. and Europe.

The investment strategy employed by the Manager in constructing the portfolio has consisted of pro-active management to source proprietary deal flow and actively manage the portfolio. This investment strategy is also designed to provide investors with access to private equity investments that would otherwise be unavailable to them, by capitalizing on the Manager’s relationships with leading private equity fund managers, and from the scale achieved from combining their resources with other investors in the Investment Fund. Investors in the Investment Fund also benefit from combining their resources with investors in other private equity funds of funds managed by the Manager, since the Manager is thereby in a position to make larger investments (meeting the minimum investment requirements of these Underlying Funds) and allocate an appropriate portion to the portfolio of the Investment Fund.

The Investment Fund has completed commitments and Underlying Investments in 13 primary funds, two secondary fund portfolios, eight direct investments and three international funds of funds. Several additional prospective investments, including direct investment opportunities as well as secondary fund opportunities, remain under active review at various stages of due diligence. A further 450 private equity investment opportunities were reviewed and rejected since inception of the Investment Fund.

A total of \$50,440,000 has now been committed to Underlying Investments, with approximately 58% of the Underlying Investments being funded. This commitment amount represents a decline of approximately \$1,883,000 relative to the March 31, 2009 amount, resulting from the rise in value of the Canadian dollar in foreign exchange markets (See "Summary of Investment Portfolio - Foreign Exchange"). The portfolio constructed for the Investment Fund to date includes Underlying Investments consisting of eight direct investments in private companies, ninety indirect investments in private companies through primary and secondary fund portfolios, and much smaller indirect investments in several hundred additional private companies through the international fund of funds portfolios. The portfolio of the Investment Fund consists of the following Underlying Investments as of September 30, 2009:

*Primary Funds:*

- Novacap Industries III, L.P.: On May 30, 2007, the Investment Fund committed \$750,000 to Novacap Industries III, L.P., a Canadian middle-market buyout fund based in Montreal. The fund invests in Canadian companies within traditional industries that have strong growth potential by developing their market, technology and operations, or through industry consolidations.
- HarbourVest International Private Equity Partners V-Direct Fund L.P.: On June 12, 2007, the Investment Fund committed €2,000,000 to HarbourVest International Private Equity Partners V-Direct Fund L.P., a buyout and growth equity co-investment fund investing in a diversified portfolio of operating companies, primarily based in Europe.
- TriWest Capital Partners III, L.P.: On June 22, 2007, the Investment Fund committed \$2,500,000 to TriWest Capital Partners III, L.P., a Canadian middle-market buyout fund based in Calgary. The fund invests in a diversified portfolio of primarily western Canadian-based companies that are established and profitable, operating in traditional industries such as manufacturing, food processing, transportation and services.
- Novacap Technologies III, L.P.: On June 25, 2007, the Investment Fund committed \$500,000 to Novacap Technologies III, L.P., a Canadian private equity fund based in Montreal focusing on the technology sector through buyouts and later stage venture capital investments in the information and communication technologies sector.
- Kilmer Capital Fund II, L.P.: On July 25, 2007, the Investment Fund committed \$1,000,000 to Kilmer Capital Fund II, L.P., a Canadian middle-market buyout fund based in Toronto, dedicated to building pre-eminent companies in partnership with management, with a focus on companies seeking financing for expansion, acquisitions, management buyouts, leveraged buyouts, restructurings, recapitalizations and privatizations.
- Thomas H. Lee Equity Fund VI, L.P.: On November 2, 2007, the Investment Fund committed US\$1,200,000 to Thomas H. Lee Equity Fund VI, L.P., a private equity fund based in Boston focused on identifying and obtaining substantial ownership positions in large growth-oriented companies.
- Kilmer Brownfield Equity Fund, L.P.: On December 21, 2007, the Investment Fund committed \$2,000,000 to Kilmer Brownfield Equity Fund, L.P., a private equity investment fund dedicated to creating value for investors through the clean-up and reactivation of environmentally-impaired "Brownfield" properties in Canada.
- Bain Capital Fund X, L.P.: On January 18, 2008, the Investment Fund committed US\$1,500,000 to Bain Capital Fund X, L.P., a private equity fund managed by Bain Capital LLC pursuing investments of varying sizes around the world.
- Vitruvian Investment Partnership: On February 11, 2008, the Investment Fund committed €1,000,000 to Vitruvian Investment Partnership managed by Vitruvian Partners, an independent private equity firm

specializing in middle-market buyouts, growth buyouts and growth capital investments in the U.K. and elsewhere in Northern Europe.

- Trivest Fund IV, L.P.: On August 6, 2008, the Investment Fund committed US\$3,000,000 to Trivest Fund IV, L.P., a middle market private equity fund based in Coral Gables, Florida, which focuses on acquiring well-run founder/family owned businesses located in the United States and Canada.
- Walden Venture Capital VII, L.P.: On September 10, 2008, the Investment Fund committed US\$2,500,000 to Walden Venture Capital VII, L.P., a venture capital fund managed by Walden Venture Capital, based in San Francisco, specializing in the digital media, consumer and enterprise services, and e-commerce sectors.
- KERN Energy Partners III L.P.: On October 20, 2008 the Investment Fund committed \$500,000 to KERN Energy Partners III L.P., a leading independent energy sector private equity firm based in Calgary, Alberta.
- Bedford Capital IVC, L.P.: On December 10, 2008 the Investment Fund committed \$500,000 to Bedford Capital IVC, L.P. Bedford Capital, located in Toronto, focuses on building leading companies in partnership with outstanding management teams.

#### *Secondary Funds:*

- Novacap II, L.P.: On July 12, 2007, the Investment Fund acquired a secondary portfolio of Novacap II, L.P., representing an original commitment of \$10,000,000 at a cost of \$6,868,099 plus unfunded commitments. Novacap II, L.P. is a diversified private equity portfolio originally formed in 2000. At the time of acquisition the Novacap II, L.P. had an investment portfolio consisting of 13 companies. As of September 30, 2009, a total of \$534,405 of the original commitment amount has not been called or funded.
- WaldenVC II, L.P.: On September 10, 2008, the Investment Fund acquired, a secondary portfolio of Walden VC II, L.P., representing an original commitment of US\$5,000,000 at a cost of US\$2,852,968 plus assumption of a remaining uncalled capital commitment of US\$250,000. Walden VC II, L.P. is managed by Walden Venture Capital, based in San Francisco, specializing in the digital media, consumer and enterprise services, and e-commerce sectors.

#### *Direct Investments:*

- The Turtle Island Recycling Company: On October 17, 2007, the Investment Fund completed an investment of \$131,189 in The Turtle Island Recycling Company. The Turtle Island Recycling Company is a multi-material recycling and waste removal company based in Toronto. On May 29, 2008, the Investment Fund invested a further amount of \$236,098 and acquired additional shares.
- Ceridian Corporation: On November 9, 2007, the Investment Fund completed an investment of US\$1,000,000 in Ceridian Corporation. Ceridian Corporation's payroll processing and human resource solutions serve 25 million employees and 110,000 companies in 38 countries worldwide, including over 75% of the *Fortune 500* and 50% of the *Financial Times Global 500*.
- KMC Mining Corporation: On February 27, 2008, the Investment Fund completed an investment of \$1,850,917 in KMC Mining Corporation. KMC is involved in a wide range of mining activities in the Canadian oil sands and has been in business for almost sixty years.
- OptiSolar Inc.: On March 20, 2008, the Investment Fund completed an investment of US\$2,999,975 in OptiSolar Inc. OptiSolar, based in Hayward, California, had a business plan to become a fully integrated solar energy company that manufactures proprietary photovoltaic modules to produce power from its own large-scale solar farms. On April 3, 2009, OptiSolar Inc. sold certain assets to First Solar Inc. in consideration for shares of First Solar Inc. valued at approximately US\$400 million on that date. OptiSolar has not yet determined whether any distribution will be made to shareholders (including the Investment Fund) as a result of that transaction.
- Clear Channel Communications, Inc.: On August 6, 2008, the Investment Fund completed an investment of US\$665,352 in Clear Channel Communications. Clear Channel Communications, Inc. is a

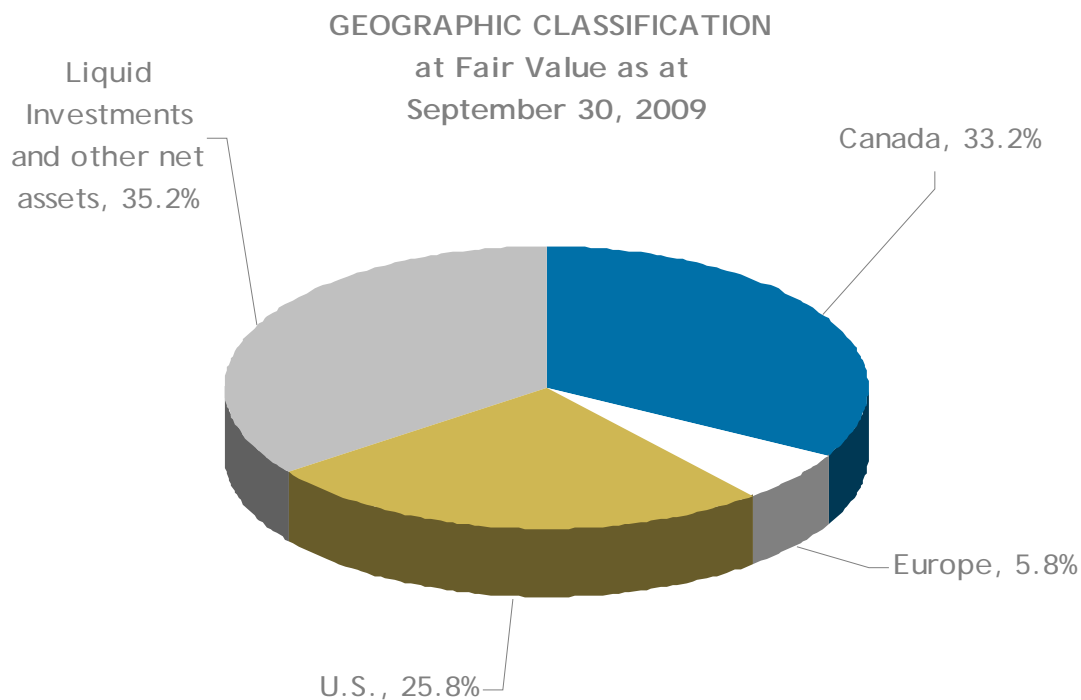
global media and entertainment company specializing in mobile and on-demand entertainment and information services for local communities and premiere opportunities for advertisers. Based in San Antonio, Texas, the company's businesses include radio and outdoor displays.

- ATX Networks Inc.: On September 2, 2008, the Investment Fund invested US\$400,000 in ATX Networks Inc. ATX Networks Inc., based in Ajax, Ontario, designs, manufactures, markets, and delivers a broad range of solutions and services to the broadband cable and broadcast industries.
- Public Mobile Holdings Inc.: On September 22, 2008, the Investment Fund invested \$1,500,000 in Public Mobile Holdings Inc., which acquired spectrum in the 2008 AWS Auction conducted by Industry Canada.
- WaldenVC SPK, LLC: On July 2, 2009, the Investment Fund invested US\$510,000 in WaldenVC SPK. WaldenVC SPK is a special purpose co-investment vehicle managed by Walden Venture Capital to invest alongside other Walden funds in portfolio companies in the digital media, consumer and enterprise services, and e-commerce sectors. WaldenVC SPK has invested in one such portfolio company to date.

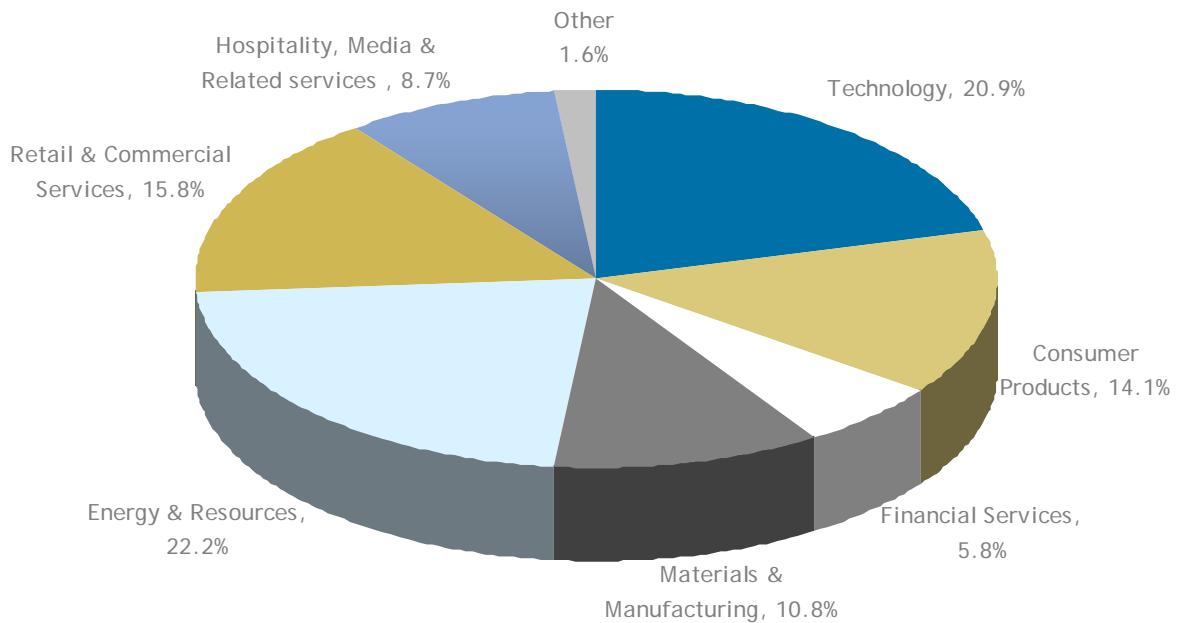
**International Fund of Funds:**

- Nordea Private Equity II - European Middle Market Buyout K/S: On May 3, 2007, the Investment Fund committed €2,000,000 to Nordea Private Equity II - European Middle-Market Buyout Fund K/S, a fund investing in a diversified portfolio of local and regional European middle-market buyout funds with investment strategies varying from buyouts and turnaround to special situation investments.
- HarbourVest Partners VIII-Buyout Fund L.P.: On June 12, 2007, the Investment Fund committed US\$850,000 to HarbourVest Partners VIII-Buyout Fund L.P., a U.S. fund building a portfolio of primary and secondary investments in U.S.-based buyout, recapitalization and other private equity funds, including a small number of direct investments in operating companies.
- HarbourVest Partners VIII-Venture Fund L.P.: On June 12, 2007, the Investment Fund committed US\$150,000 to HarbourVest Partners VIII-Venture Fund L.P., a U.S. fund building a portfolio of primary and secondary investments in U.S.-based venture capital funds, including a small number of direct investments in operating companies.

**Summary of Investment Portfolio**

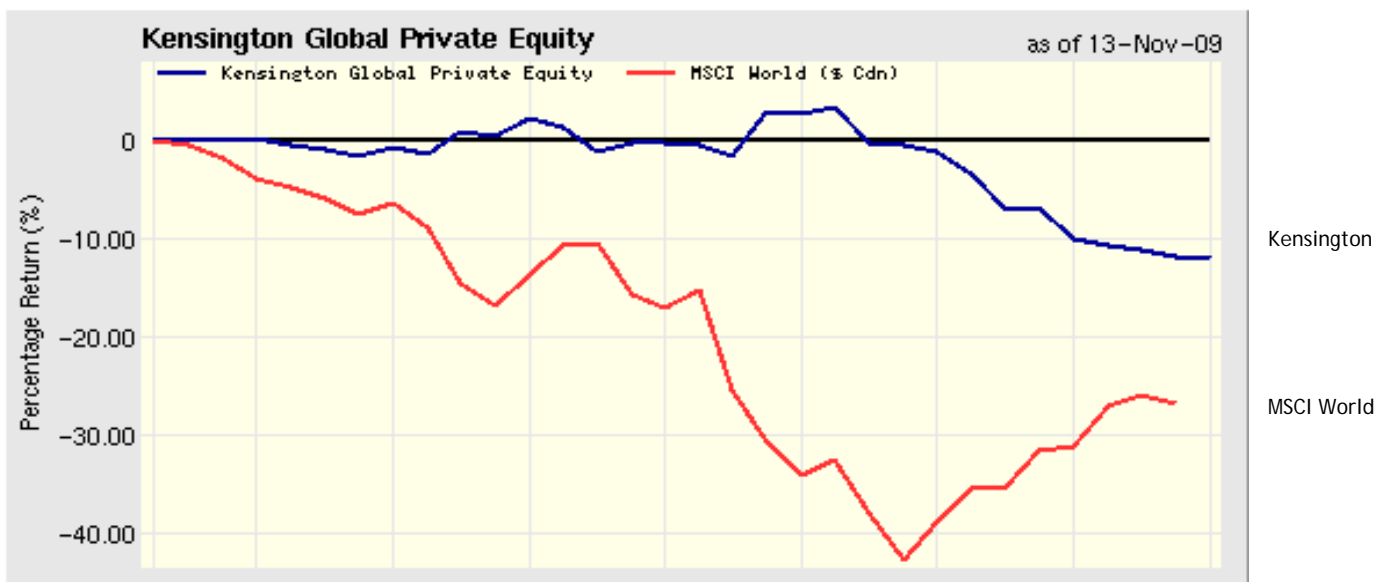


**INDUSTRY ALLOCATION OF PRIVATE  
EQUITY INVESTMENTS  
at Fair Value as at September 30, 2009**

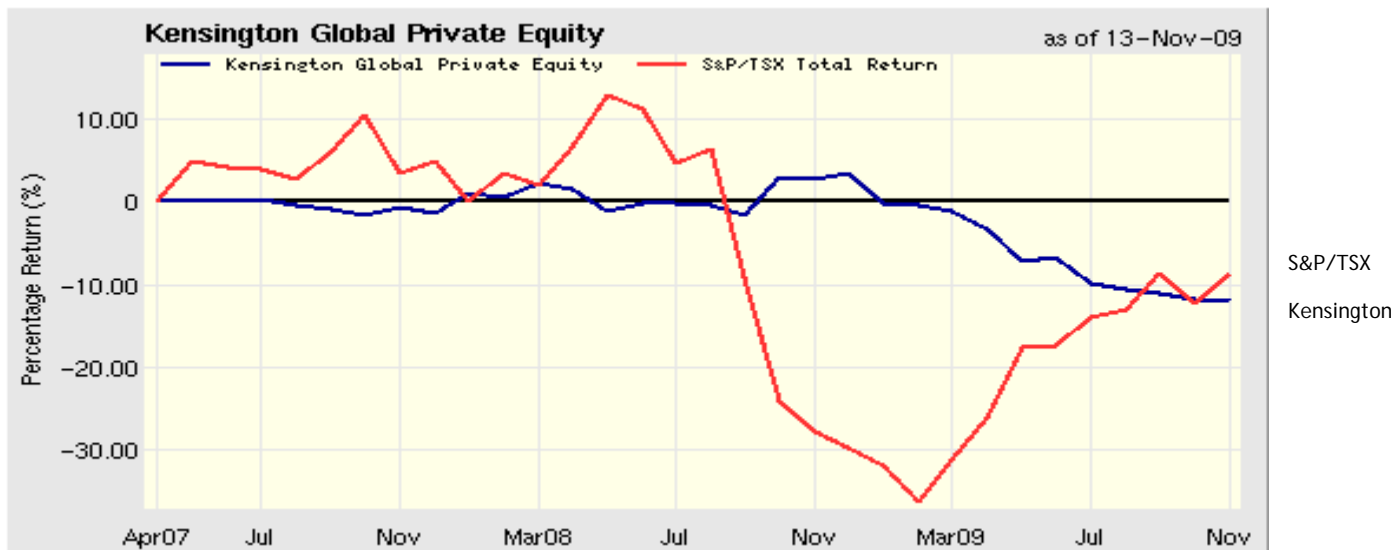


**Net Asset Value of the Investment Fund**

During the period ended September 30, 2009, the Investment Fund recorded a decrease in the NAV of \$3,555,062 or \$1.54 per Unit. This represents the aggregate performance of Underlying Investments and Liquid Investments, including foreign exchange and fees and expenses. The following charts show the NAV of the Investment Fund from inception in April 2007 to November 13, 2009, measured against the benchmarks of the S&P TSX Composite Index and the MSCI World Index.



Source: Globe Investor.



Source: Globe Investor.

#### *Underlying Investments:*

During the period, the Investment Fund earned interest income of \$73,954. This includes income earned on Underlying Investments and Liquid Investments. During the period, the Investment Fund recognized unrealized losses in the fair value of Underlying Investments of \$596,910.

#### *Liquid Investments:*

As at September 30, 2009, the Investment Fund held Liquid Investments totalling \$14,673,174, representing an increase of \$874,426 from the \$13,798,748 of Liquid Investments held at March 31, 2009.

#### *Foreign Exchange:*

During the period, the Investment Fund recognized total foreign currency losses of \$2,109,453 including an unrealized foreign exchange loss of \$2,009,900. During the period, the amount of unfunded obligations of the Investment Fund to private equity funds denominated in foreign currencies declined by approximately \$850,000, as a result of the strengthening of the Canadian dollar relative to the foreign currencies.

Foreign exchange gains or losses arise in the Investment Fund from investments not denominated in Canadian dollars, including both Underlying Investments and Liquid Investments. When the Investment Fund makes commitments to Underlying Investments in private equity which are denominated in currencies other than Canadian dollars, the Investment Fund may acquire Liquid Investments in those same currencies to ensure its ability to fully fund those commitments over time. To date, the Investment Fund has invested in Liquid Investments denominated in Canadian dollars, in U.S. dollars and in Euros. During the period, the value of the Canadian dollar increased significantly relative to the U.S. dollar and the Euro which led to foreign exchange losses on these holdings.

When the value of investments held in other currencies declines relative to the Canadian dollar, the amount of unfunded obligations of the Investment Fund in these same currencies also declines. This has the effect of increasing the available capital of the Investment Fund for additional new investments without the need to raise any additional capital or issue new Units. The Manager considers this additional investment capacity to represent an indirect natural hedge against foreign exchange valuation declines.

The Manager expects that changes in the currency markets will continue, and takes a prudent approach to foreign exchange risk. The Investment Fund does not make any speculative currency investments in the foreign exchange market.

*Fees and Expenses:*

During the period, a total of \$424,586 was paid by the Investment Fund to the Manager as management fees. Additional expenses of \$498,067 were incurred in the management of the Investment Fund and paid to third parties during the period.

The Investment Fund pays all ordinary expenses incurred in connection with its operation and administration, and is responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. The Investment Fund is also responsible for investment expenses incurred by the Manager and the Investment Advisor relating to investment operations, due diligence and research, including any costs related to investment transactions which are not completed. The Manager is responsible for payment of fees to the Investment Advisor from the management fee it receives from the Investment Fund.

The Manager is paid a management fee equal to an annual rate of 1.95% of the NAV of the Investment Fund as reported at the end of each quarter.

The Manager is also eligible to earn a performance fee ("Performance Fee") beginning in 2010. In order for the Manager to become eligible to earn the Performance Fee in any year, the performance hurdle must be achieved by payment of sufficient cash distributions to Unitholders and maintenance of a sufficient NAV per Unit. The Performance Fee, if earned, is payable to the Manager in Units over a five-year vesting period. The Manager cannot earn a Performance Fee unless the Investment Fund earns and distributes profits to Unitholders.

Each registered dealer whose clients hold Units is paid a service fee calculated and paid quarterly and equal to 0.40% annually of the NAV of the Units held at the end of the relevant quarter by clients of the registered dealer. No service fee is payable on the Class F Units.

The Investment Fund is also subject to fees and expenses of the Underlying Funds, including management fees and carried interest payments (or other performance fees) payable to managers of Underlying Funds. These fees and expenses form part of the invested capital in such Underlying Funds for the purpose of determining their performance, and generally will be recovered by the Investment Fund (alongside other investors in such funds) prior to the payment of Performance Fees or a carried interest to the manager of such Underlying Funds. These expenses have been included within the additional expenses of the Fund paid to third parties of \$498,067 as mentioned above.

*Net Assets of the Investment Fund per Unit*

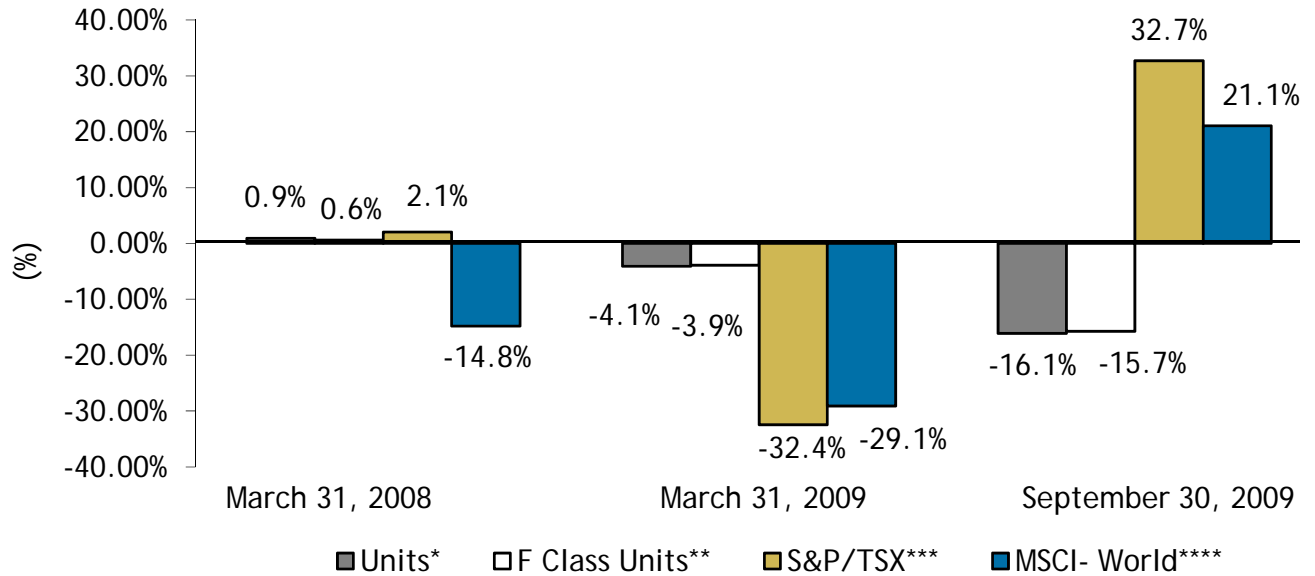
The following tables show selected key financial information about the Investment Fund and is intended to summarize the Investment Fund's financial performance for the period ended September 30, 2009 and for the period ended September 30, 2008. The information is derived from the Investment Fund's financial statements.

	For the period from April 1, 2009 to September 30, 2009		For the period from April 1, 2008 to September 30, 2008	
	Units	Class F Units	Units	Class F Units
Net Assets Per Unit, Beginning of period	\$ 19.35	\$ 19.44	\$ 20.18	\$ 20.23
(Decrease) increase from operations:				
Total revenue	0.03	0.03	0.13	0.13
Total expenses	(0.43)	(0.39)	(0.53)	(0.47)
Realized foreign exchange (losses) for the period	(0.04)	(0.04)	-	-
Unrealized investment (losses)/gains for the period	(0.26)	(0.27)	0.13	0.14
Unrealized foreign exchange (losses) for the period	(0.89)	(0.90)	(0.29)	(0.27)
Premium received (paid) on new units issuance	0.04	(0.04)	0.04	(0.04)
<b>Total (decrease) from operations</b>	<b>(1.56)</b>	<b>(1.61)</b>	<b>(0.51)</b>	<b>(0.53)</b>
<b>Net Assets Per Unit, End of period</b>	<b>\$ 17.79</b>	<b>\$ 17.91</b>	<b>\$ 19.67</b>	<b>\$ 19.72</b>

RATIOS AND SUPPLEMENTAL DATA

**Returns**

The bar chart that follows shows the performance of each class of unit of the Investment Fund since inception. The chart shows, how the value of a Unit of the Investment Fund has increased or decreased from the commencement of the period to the noted period end.



**Units\*:**

The period ended March 31, 2008 is annualized for the period from April 20, 2007 to March 31, 2008.  
 The year ended March 31, 2009 is the period from April 1, 2008 to March 31, 2009.  
 The period ended September 30, 2009 is annualized for the period from April 1, 2009 September 30, 2009.

**F Class Units\*\*:**

The period ended March 31, 2008 is annualized for the period from February 1, 2008 to March 31, 2008.  
 The year ended March 31, 2009 is the period from April 1, 2008 to March 31, 2009.  
 The period ended September 30, 2009 is annualized for the period from April 1, 2009 September 30, 2009.

**MSCI-World and S&P/TSX\*\*\*:**

The Kensington Global Private Equity Fund has been benchmarked against the S&P/TSX Composite Index (S&P/TSX CI) and the Morgan Stanley Capital International World Index (MSCI).  
 The S&P/TSX Composite Index is a capitalization-weighted index that represents some of the largest float-adjusted stocks trading on the Toronto Stock Exchange.  
 The Morgan Stanley Capital International World Index (MSCI) is an index of approximately 1,600 companies listed on exchanges in the 23 countries that make up the MSCI national indices.

## Ratios and Supplemental Data

	For the period from April 1, 2009 to September 30, 2009		For the period from April 1, 2008 to September 30, 2008	
	Units	Class F Units	Units	Class F Units
Weighted average net assets	\$ 21,323,705	\$ 20,198,336	\$ 22,670,564	\$ 17,699,191
Weighted average Units outstanding	1,156,007	1,088,566	1,134,020	884,588
Management expense ratio % (1)	4.6%	4.2%	5.3%	5.2%
Portfolio turnover rate % (2)	-	-	0.04%	0.04%
Trading expense ratio % (3)	-	-	0.01%	0.01%

- (1) Management expense ratio (MER) is based on total expenses for the stated period and is expressed as an annualized percentage of the net average assets during the period. The reported MER for the Investment Fund includes expenses incurred by Underlying Funds. Unlike typical mutual fund expenses, the expenses incurred by these Underlying Funds will be recovered by the Investment Fund prior to any such Underlying Fund's managers earning a performance fee. The recoveries of these expenses will be recorded as portfolio gains at the appropriate times, and will not be reflected in any adjustment to the MER at those times. The Investment Fund's MER is reported in accordance with applicable accounting standards and securities laws.
- (2) The Investment Fund's portfolio turnover rate indicates how often the private equity investments contained in the portfolio of the Investment Fund are bought and sold. A portfolio turnover rate of 100% is equivalent to the Investment Fund buying and selling all of the private equity investments once in the course of the year. The higher a fund's portfolio turnover rate, the greater the transaction costs.
- (3) Trading expense ratio represents total transaction costs, including interest paid on committing capital to a fund subsequent to its initial close, expressed as an annualized percentage of the daily average net assets during the period.

## RELATED PARTY TRANSACTIONS

As a result of its position as manager and trustee of the Investment Fund, Kensington Capital Partners Limited receives certain fees pursuant to the Management Agreement dated April 20, 2007. The Investment Advisor, a wholly-owned subsidiary of the Manager, receives a portion of these fees from the Manager for providing investment advisory services to the Investment Fund pursuant to the Investment Advisory Agreement dated April 20, 2007. These fees are described above (see "Results of Operations - Fees and Expenses").

## FORWARD LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Investment Fund may invest and the risks detailed from time to time in the Investment Fund's prospectus. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Investment Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, neither the Investment Fund nor Kensington Capital Partners Limited undertakes, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

**KENSINGTON GLOBAL PRIVATE EQUITY FUND**

**FINANCIAL STATEMENTS**

September 30, 2009

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

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# KENSINGTON GLOBAL PRIVATE EQUITY FUND

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## Management's Responsibility for Financial Reporting

The accompanying financial statements of the Kensington Global Private Equity Fund (the "Fund") and all the information in this report are the responsibility of the management of Kensington Capital Partners Limited (the "Manager"), and have been approved by the Manager.

The financial statements have been prepared by the manager in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The Manager has ensured that the other financial information presented in this report is consistent with the financial statements. The significant accounting policies which manager believes are appropriate for the Fund are described in Note 2 of the financial statements.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Manager meets periodically with the external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review this report, the financial statements and the external auditors' report.

Tom Kennedy  
Managing Director,  
Kensington Capital Partners Limited

Richard Nathan  
Managing Director,  
Kensington Capital Partners Limited

November 27, 2009

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF NET ASSETS

(Unaudited)

	September 30, 2009	March 31, 2009
<b>ASSETS</b>		
Portfolio Investments (Notes 3 & 4)	\$ 41,424,174	\$ 41,861,317
Interest receivable	66	34
Prepaid expenses	<u>41,843</u>	<u>28,667</u>
Total assets	<u>41,466,083</u>	<u>41,890,018</u>
<b>LIABILITIES</b>		
Accrued expenses	<u>193,306</u>	<u>131,551</u>
Total liabilities	<u>193,306</u>	<u>131,551</u>
<b>NET ASSETS</b>	<u>\$ 41,272,777</u>	<u>\$ 41,758,467</u>
<b>NET ASSETS BY CLASS</b>		
Units	21,080,348	21,237,351
Class F	<u>20,192,429</u>	<u>20,521,116</u>
	<u>\$ 41,272,777</u>	<u>\$ 41,758,467</u>
<b>NUMBER OF UNITS OUTSTANDING (Note 5)</b>		
Units	1,185,176	1,097,670
Class F	1,127,578	1,055,573
<b>NET ASSETS PER UNIT BY CLASS</b>		
Units	\$ 17.79	\$ 19.35
Class F	\$ 17.91	\$ 19.44

Approved by the Trustee

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# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF OPERATIONS

(Unaudited)

	For the period from April 1, 2009 to September 30, 2009	For the period from April 1, 2008 to September 30, 2008
<b>Income</b>		
Interest income	\$ <u>73,954</u>	\$ <u>277,714</u>
<b>Expenses</b>		
Management fee (Note 7)	424,586	416,837
Expenses incurred by investee funds	211,493	176,091
Commissions	84,255	-
Legal fees	83,297	246,668
Service fees	42,659	48,388
Other expenses	24,087	31,445
Custodian and transfer agent fees	22,021	25,359
Board and committee fees	16,938	28,570
Audit fees	10,616	37,500
Unitholders' communication	2,701	14,980
Other professional fees	-	33,446
Transaction costs	-	2,121
Total operating expenses	<u>922,653</u>	<u>1,061,405</u>
Net investment loss	(848,699)	(783,691)
Net realized gain on investment transactions	-	6,674
Realized loss on foreign currency translation	(99,553)	-
Unrealized appreciation/(depreciation) of portfolio investments		
Net change in unrealized (depreciation)/appreciation on portfolio investments	(596,910)	282,158
Net change in unrealized loss on foreign currency translation	<u>(2,009,900)</u>	<u>(587,772)</u>
Unrealized depreciation of portfolio investments	<u>(2,606,810)</u>	<u>(305,614)</u>
Decrease in net assets from operations	\$ <u>(3,555,062)</u>	\$ <u>(1,082,631)</u>
<b>Decrease in net assets from operations by Class</b>		
Units	\$ (1,802,116)	\$ (581,954)
Class F	\$ (1,752,946)	\$ (500,677)
<b>Decrease in net assets from operations per unit by Class</b>		
Units	\$ (1.56)	\$ (0.51)
Class F	\$ (1.61)	\$ (0.53)

The accompanying notes are an integral part of these financial statements.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## STATEMENT OF CHANGES IN NET ASSETS

For the period ended September 30, 2009

(Unaudited)

	Units	Class F	Total
Net assets, beginning of period	\$ -	\$ -	\$ -
Capital contributions (Note 5)	22,680,400	12,000,000	34,680,400
Increase in assets from operations	204,183	14,065	218,248
Net assets, March 31, 2008	\$ 22,884,583	\$ 12,014,065	\$ 34,898,648
Capital contributions (Note 5)	248,124	9,331,500	9,579,624
Capital redemption (Note 5)	(1,006,200)	-	(1,006,200)
Decrease in assets from operations	(889,156)	(824,449)	(1,713,605)
Net assets, March 31, 2009	21,237,351	20,521,116	41,758,467
Capital contributions (Note 5)	1,645,113	1,424,259	3,069,372
Capital redemption (Note 5)	-	-	-
Decrease in assets from operations	(1,802,116)	(1,752,946)	(3,555,062)
<b>Net assets, September 30, 2009</b>	<b>21,080,348</b>	<b>20,192,429</b>	<b>41,272,777</b>

As at September 30, 2009

## KENSINGTON GLOBAL PRIVATE EQUITY FUND

### STATEMENT OF PORTFOLIO INVESTMENTS (Unaudited)

Description	Committed Amount / Shares/Units (Native currency)	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
<b>Private Equity Investments (Note 4)</b>				
<b>Canadian Investments</b>				
<b>Primary Fund</b>				
TriWest Capital Partners III, L.P.	CAD 2,500,000	\$ 1,250,444		
Kilmer Capital Fund II, L.P.	CAD 1,000,000	335,909		
Novacap Technology III, L.P.	CAD 500,000	104,882		
KERN Energy Partners III, L.P.	CAD 500,000	14,937		
Novacap Industries III, L.P.	CAD 750,000	25,848		
Kilmer Brownfield Equity Fund, L.P.	CAD 2,000,000	7,584		
Bedford Capital IVC, L.P.	CAD 500,000	-		
		\$ 1,739,604		
<b>Secondary Fund</b>				
Novacap II, L.P.	CAD 10,000,000	7,768,653		
<b>Direct Investments</b>				
The Turtle Island Recycling Company	Common shares, 12,243	367,287		
KMC Mining Corporation (KMC)	Partnership Units, 1,588,247	1,850,917		
Public Mobile Holdings Inc.	Preferred shares, 1,500,000	1,500,000		
		3,718,204		
<b>Total Canadian Investments</b>		\$ 13,226,461	\$ 13,687,716	33.2%
<b>European Investments</b>				
<b>Primary Fund</b>				
HarbourVest International Private Equity Partners V - Direct Fund L.P.	€ 2,000,000	2,263,839		
Nordea Private Equity II - European Middle Market Buyout K/S	€ 2,000,000	1,077,862		
Vitruvian Investment Partnership	€ 1,000,000	92,724		
<b>Total European Investments</b>		\$ 3,434,425	\$ 2,413,829	5.8%
<b>U.S. Investments</b>				
<b>Primary Fund</b>				
Trivest Fund IV, L.P.	USD 3,000,000	814,959		
Thomas H. Lee Equity Fund VI, L.P.	USD 1,200,000	617,047		
Bain Capital Fund X, L.P.	USD 1,500,000	411,379		
Walden Venture Capital VII, L.P.	USD 2,500,000	592,463		
HarbourVest Partners VIII - Buyout Fund L.P.	USD 850,000	287,372		
HarbourVest Partners VIII - Venture Fund L.P.	USD 150,000	69,072		
		\$ 2,792,291		
<b>Secondary Fund</b>				
WaldenVC II, L.P.	USD 5,000,000	3,071,220		
<b>Direct Investments</b>				
OptiSolar Inc.	Preferred shares, 54,545	3,002,975		
Ceridian Corporation	Partnership Units, 1,000,000	944,740		
Clear Channel Communications, Inc.	Partnership Units, 665,352	651,555		
ATX Networks Inc.	Partnership Units, 40,000	428,520		
WaldenVC SPK, LLC		592,722		
		5,620,512		
<b>Total U.S. Investments</b>		11,484,024	10,649,455	25.8%
<b>Total Private Equity Investments</b>		\$ 28,144,910	\$ 26,751,000	64.8%
<b>Liquid Investments (Note 3)</b>				
Current deposits with CIBC		\$ 915,357	\$ 915,357	2.2%
Current deposits with Bank of Nova Scotia		285	285	0.0%
Government of Canada Treasury bill (Face value CAD 4,000,000 due October 1, 2009)		3,998,836	3,999,987	9.7%
Government of Canada Treasury bill (Face value CAD 2,000,000 due November 12, 2009)		1,998,008	1,999,530	4.8%
Government of Canada Treasury bill (Face value CAD 1,200,000 due December 24, 2009)		1,199,461	1,199,497	2.9%
Ontario Bond (Due June 21, 2015)		2,105,000	2,110,767	5.1%
Government of Germany Treasury bill (Face value Euro 1,080,000, due November 25, 2009)		1,650,691	1,708,217	4.1%
Government of Germany Treasury bill (Face value Euro 381,000, due December 16, 2009)		597,851	602,056	1.5%
Government of France Treasury bill (Face value Euro 450,000, due February 25, 2010)		717,455	710,919	1.7%
Government of France Treasury bill (Face value Euro 902,000, due October 22, 2009)		1,486,292	1,426,559	3.5%
		14,669,235	14,673,174	35.6%
<b>TOTAL PORTFOLIO INVESTMENTS</b>		\$ 42,814,144	\$ 41,424,174	100.4%
Other assets net of accrued liabilities			\$ (151,397)	-0.4%
<b>NET ASSETS</b>			\$ 41,272,777	100.0%

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

*September 30, 2009*

### 1. Formation of the Fund

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

The Investment Fund completed its initial public offering on April 20, 2007. On February 1, 2008, the Declaration of Trust was amended to create a second class of units known as Class F Units.

Kensington Capital Partners Limited is the Manager and Trustee of the Investment Fund. Kensington Investment Management Inc., a wholly-owned subsidiary of the Manager, has been retained as the Investment Advisor to provide investment advisory and portfolio management services to the Investment Fund. The Investment Advisor is responsible for making all investment decisions. The Manager is entitled to a management fee based on the net asset value ("NAV") of the Investment Fund. The Manager will also be eligible to earn a performance fee ("Performance Fee") beginning in 2010. See Note 7.

Income is allocated to the Unitholders on a pro rata basis. There is no termination date for the Investment Fund. However, if the units of the Investment Fund are not listed on the Toronto Stock Exchange on or before April 20, 2015, the Investment Fund will terminate on that date.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

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

#### *Use of Estimates*

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the income and expenses during the reporting period. Significant estimates and judgments are required principally in determining the reported estimated fair values of investments since these determinations include estimates of expected future cash flows, rates of return and the anticipated impact of future events. Actual results could differ from those estimates.

#### *Portfolio Investments - Cost of Investments*

The cost of private equity investments includes all amounts paid to fund the subscription or acquisition of the investment to date. Investments in private equity funds are funded over time in response to capital calls from the private equity fund managers and cannot exceed the total committed amount.

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

Investments are carried at estimated fair value. Fair values are determined and reported by the underlying private equity fund managers. These values are based on the fair value of the underlying investments held by the funds. Fair value is defined and evaluated independently by each fund. The Manager may adjust these values if, in its view, the values do not reflect the price which would be paid in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 2. Significant Accounting Policies (Cont'd)

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

Direct investments in public securities are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it principally trades. Direct investments in securities where no quoted market values are available are held at fair value as determined by the Manager. A number of valuation methodologies are considered in arriving at fair value, including comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. The most appropriate methodology, on an investment by investment basis, is chosen to determine fair value. Any sale, size, control, liquidity or other discounts or premiums on the investment are considered by the Manager in its determination of fair value.

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

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

#### *Transaction Costs*

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of portfolio investments including the costs associated with portfolio transactions that are unsuccessful. They are expensed as incurred and included in the statement of operations.

#### *Investment Income*

Interest income is recorded on an accrual basis. Dividend income is recorded when declared and payable to the Investment Fund. The difference between fair value and cost of investments is recorded as unrealized appreciation (depreciation) of portfolio investments.

#### *Foreign Currency Translation*

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of portfolio investments are translated at the rate of exchange prevailing on the respective date of such transaction.

#### *Decrease/Increase in Net Assets from Operations per Unit*

Decrease/increase in net assets from operations per unit in the statement of operations represents the net decrease/increase in net assets from operations for the period divided by the average number of units outstanding during the period.

#### *Capital Disclosures*

Handbook Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity is subject to any externally imposed capital requirements; and (iv) if it has not complied with any such capital requirements, the consequences of such non-compliance. The adoption of Section 1535 did not have a significant impact on the Investment Fund's disclosures as: (i) the Investment Fund's objectives, policies and processes are described in Note 1; (ii) information on the Investment Fund's Unitholders' equity is described in Note 5 and the Statement of changes in net assets; and (iii) the Investment Fund does not have any externally imposed capital requirements.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 2. Significant Accounting Policies (Cont'd)

#### *Financial Instruments*

Sections 3862 and 3863 replaced Section 3861, Financial Instruments - Disclosure and Presentation. Section 3862 places increased emphasis on disclosures about risks associated with both recognized and unrecognized financial instruments and how the Investment Fund manages these risks. These expanded disclosures are included in Note 8. Section 3863 carries forward unchanged the presentation requirements of Section 3861.

#### *Future Accounting Standards*

The Canadian Accounting Standards Board confirmed January 1, 2011 as the date the International Financial Reporting Standards (IFRS) will replace current Canadian standards and interpretations as Canadian GAAP for publicly accountable enterprises, which includes investment funds. The Manager is developing a changeover plan, which includes identifying differences between the Investment Fund's current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on net asset values of the Investment Fund. Based on the Manager's current understanding of IFRS, these changes are expected to relate primarily to financial statement disclosure.

### 3. Short-term Investments

Capital held by the Investment Fund pending investment in private equity investments is invested in short-term investments, consisting of a variety of financial products such as cash, government treasury bills, money market instruments and investment grade securities, as well as listed securities of private equity funds and other securities consistent with the overall objectives of liquidity, capital preservation and an appropriate return.

### 4. Investments

The Investment Fund has completed each of the private equity investments described below. In certain cases, the legal entity receiving the investment is a holding company or parallel entity formed to facilitate the transaction.

#### Primary Fund Investments

- Novacap Industries III, L.P.: On May 30, 2007, the Investment Fund committed \$750,000 to Novacap Industries III, L.P., a Canadian middle-market buyout fund based in Montreal. The fund invests in Canadian companies within traditional industries that have strong growth potential by developing their market, technology and operations, or through industry consolidations.
- HarbourVest International Private Equity Partners V-Direct Fund L.P.: On June 12, 2007, the Investment Fund committed €2,000,000 to HarbourVest International Private Equity Partners V-Direct Fund L.P., a buyout and growth equity co-investment fund investing in a diversified portfolio of operating companies, primarily based in Europe.
- TriWest Capital Partners III, L.P.: On June 22, 2007, the Investment Fund committed \$2,500,000 to TriWest Capital Partners III, L.P., a Canadian middle-market buyout fund based in Calgary. The fund invests in a diversified portfolio of primarily western Canadian-based companies that are established and profitable, operating in traditional industries such as manufacturing, food processing, transportation and services.
- Novacap Technologies III, L.P.: On June 25, 2007, the Investment Fund committed \$500,000 to Novacap Technologies III, L.P., a Canadian private equity fund based in Montreal focusing on the technology sector through buyouts and later stage venture capital investments in the information and communication technologies sector.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 4. Investments (Cont'd)

- Kilmer Capital Fund II, L.P.: On July 25, 2007, the Investment Fund committed \$1,000,000 to Kilmer Capital Fund II, L.P., a Canadian middle-market buyout fund based in Toronto, dedicated to building pre-eminent companies in partnership with management, with a focus on companies seeking financing for expansion, acquisitions, management buyouts, leveraged buyouts, restructurings, recapitalizations and privatizations.
- Thomas H. Lee Equity Fund VI, L.P.: On November 2, 2007, the Investment Fund committed US\$1,200,000 to Thomas H. Lee Equity Fund VI, L.P., a private equity fund based in Boston focused on identifying and obtaining substantial ownership positions in large growth-oriented companies.
- Kilmer Brownfield Equity Fund, L.P.: On December 21, 2007, the Investment Fund committed \$2,000,000 to Kilmer Brownfield Equity Fund, L.P., a private equity investment fund dedicated to creating value for investors through the clean-up and reactivation of environmentally-impaired brownfield properties in Canada.
- Bain Capital Fund X, L.P.: On January 18, 2008, the Investment Fund committed US\$1,500,000 to Bain Capital Fund X, L.P., a private equity fund managed by Bain Capital LLC pursuing investments of varying sizes around the world.
- Vitruvian Investment Partnership: On February 11, 2008, the Investment Fund committed €1,000,000 to Vitruvian Investment Partnership managed by Vitruvian Partners, an independent private equity firm specializing in middle-market buyouts, growth buyouts and growth capital investments in the UK and elsewhere in Northern Europe.
- Trivest Fund IV, L.P.: On August 6, 2008, the Investment Fund committed US\$3,000,000 to Trivest Fund IV, L.P., a middle market private equity fund based in Coral Gables, Florida which focuses on acquiring well-run founder/family owned businesses located in the United States and Canada.
- Walden Venture Capital VII, L.P.: On September 10, 2008, the Investment Fund committed US\$2,500,000 to Walden Venture Capital VII, L.P., a venture capital fund managed by Walden Venture Capital, based in San Francisco, specializing in the digital media, consumer and enterprise services, and e-commerce sectors.
- KERN Energy Partners III L.P.: On October 20, 2008 the Investment Fund committed \$500,000 to KERN Energy Partners III L.P., a leading independent energy sector private equity firm based in Calgary, Alberta.
- Bedford Capital IVC, L.P.: On December 10, 2008 the Investment Fund committed \$500,000 to Bedford Capital IVC, L.P. Bedford Capital, located in Toronto, focuses on building leading companies in partnership with outstanding management teams.

### Secondary Fund Investments

- Novacap II, L.P.: On July 12, 2007, the Investment Fund acquired a secondary portfolio of Novacap II, L.P., representing an original commitment of \$10,000,000 at a cost of \$6,868,099 plus unfunded commitments. Novacap II, L.P. is a diversified private equity portfolio originally formed in 2000. At the time of acquisition the Novacap II, L.P. had an investment portfolio consisting of 13 companies. As of September 30, 2009, a total of \$534,405 of the original commitment amount has not been called or funded.
- WaldenVC II, L.P.: On September 10, 2008, the Investment Fund acquired, a secondary portfolio of Walden VC II, L.P., representing an original commitment of US\$5,000,000 at a cost of US\$2,852,968 plus assumption of a remaining uncalled capital commitment of US\$250,000. Walden VC II, L.P. is managed by Walden Venture Capital, based in San Francisco, specializing in the digital media, consumer and enterprise services, and e-commerce sectors.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 4. Investments (Cont'd)

#### Direct Investments

- The Turtle Island Recycling Company: On October 17, 2007, the Investment Fund completed an investment of \$131,189 in The Turtle Island Recycling Company. The Turtle Island Recycling Company is a multi-material recycling and waste removal company based in Toronto. On May 29, 2008, the Investment Fund invested a further amount of \$236,098 and acquired additional shares.
- Ceridian Corporation: On November 9, 2007, the Investment Fund completed an investment of US\$1,000,000 in Ceridian Corporation. Ceridian Corporation's payroll processing and human resource solutions serve 25 million employees and 110,000 companies in 38 countries worldwide, including over 75% of the *Fortune 500* and 50% of the *Financial Times Global 500*.
- KMC Mining Corporation: On February 27, 2008, the Investment Fund completed an investment of \$1,850,917 in KMC Mining Corporation. KMC is involved in a wide range of mining activities in the Canadian oil sands and has been in business for almost sixty years.
- OptiSolar Inc.: On March 20, 2008, the Investment Fund completed an investment of US\$2,999,975 in OptiSolar Inc. OptiSolar, based in Hayward, California, had a business plan to become a fully integrated solar energy company that manufactures proprietary photovoltaic (PV) modules to produce power from its own large-scale solar farms.
- Clear Channel Communications, Inc.: On August 6, 2008, the Investment Fund completed an investment of US\$665,352 in Clear Channel Communications. Clear Channel Communications, Inc. is a global media and entertainment company specializing in mobile and on-demand entertainment and information services for local communities and premiere opportunities for advertisers. Based in San Antonio, Texas, the company's businesses include radio and outdoor displays.
- ATX Networks Inc.: On September 2, 2008, the Investment Fund invested US\$400,000 in ATX Networks Inc. ATX Networks Inc., based in Ajax, Ontario, designs, manufactures, markets, and delivers a broad range of solutions and services to the broadband cable and broadcast industries.
- Public Mobile Holdings Inc.: On September 22, 2008, the Investment Fund invested \$1,500,000 in Public Mobile Holdings Inc., which acquired spectrum in the 2008 AWS Auction conducted by Industry Canada.
- WaldenVC SPK, LLC: On July 2, 2009, the Investment Fund invested US\$510,000 in WaldenVC SPK. WaldenVC SPK is a special purpose co-investment vehicle managed by Walden Venture Capital to invest alongside other Walden funds in portfolio companies in the digital media, consumer and enterprise services, and e-commerce sectors. WaldenVC SPK has invested in one such portfolio company to date.

#### International Fund of Funds

- Nordea Private Equity II - European Middle Market Buyout K/S: On May 3, 2007, the Investment Fund committed €2,000,000 to Nordea Private Equity II - European Middle Market Buyout Fund K/S, a fund investing in a diversified portfolio of local and regional European middle market buyout funds with investment strategies varying from buyouts and turnaround to special situation investments.
- HarbourVest Partners VIII-Buyout Fund L.P.: On June 12, 2007, the Investment Fund committed US\$850,000 to HarbourVest Partners VIII-Buyout Fund L.P., a U.S. fund building a portfolio of primary and secondary investments in U.S.-based buyout, recapitalization and other private equity funds, including a small number of direct investments in operating companies.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 4. Investments (Cont'd)

- HarbourVest Partners VIII-Venture Fund L.P.: On June 12, 2007, the Investment Fund committed US\$150,000 to HarbourVest Partners VIII-Venture Fund L.P., a U.S. fund building a portfolio of primary and secondary investments in U.S.-based venture capital funds, including a small number of direct investments in operating companies.

### Private Equity Investments Schedule of Industry Classification

Description	Number of Investments*	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Technology	9	5,975,187	5,602,347	13.6%
Consumer Products	8	2,646,046	3,760,367	9.1%
Financial Services	7	1,493,773	1,561,511	3.8%
Materials & Manufacturing	5	3,750,432	2,883,234	7.0%
Retail & Commercial Services	9	4,680,138	4,229,467	10.2%
Energy & Resources	7	5,842,249	5,951,827	14.4%
Hospitality, Media & Related Services	10	3,279,297	2,326,502	5.6%
Other	6	477,788	435,745	1.1%
Total Private Equity Investments		28,144,910	26,751,000	64.8%

\*Note: A number of the Underlying Investments are partnerships. The investments in these partnerships may be categorized in more than one industry segment. Therefore, the number of Underlying Investments by industry classification may not equal the total number of Underlying Investments in the Investment Fund.

### 5. Units Outstanding

On April 20, 2007, the Investment Fund issued a total of 1,134,020 Units represented by instalment receipts at a subscription price of \$20.00 per unit. The first portion of the subscription price equal to \$10.00 per unit (\$11,340,200 in total) was received by the Investment Fund on closing, and a second instalment of \$10.00 per unit (\$11,340,200 in total) was paid by Unitholders on December 5, 2007. The Units are evidenced by a global certificate in the custody of CDS Clearing and Depositary Services Inc. On January 1, 2009 the Investment Fund paid capital redemption of 48,750 Units for total proceeds of \$1,006,200 to Unitholders. 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 \$1,645,113. As at September 30, 2009 the Investment Fund had 1,185,176 Units (2008: 1,134,020) outstanding.

On February 1, 2008 the Investment Fund received subscriptions for the issuance of Class F Units at a subscription price of \$20.21 per Class F Unit (the NAV on that date), in a total subscription amount of \$22,000,000. As at September 30, 2009, the capital subscribed in Class F Units had been fully funded. 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 \$299,981 and on June 11, 2009, 6,653 Class F Units were issued for \$124,278. As at September 30, 2009, the Investment Fund had issued 1,127,578 Class F Units (2008: 593,765).

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

*September 30, 2009*

### 6. Income Taxes

The Investment Fund is subject to income tax in Canada on the amount of its income for the year, including net realized taxable capital gains, less the amount that it claims in respect of the amount of such income paid or payable to Unitholders in the year. The Investment Fund generally intends to claim the full amount available for deduction in each year and, therefore, expects that it will generally not be liable for Canadian income tax.

As a result of its investments, the Investment Fund may derive income (including gains) from investments in countries other than Canada and, as a result, may be liable to pay income or profits tax to such countries. The financial statements reflect only the amount of non-recoverable income tax paid or payable by the Investment Fund.

### 7. Management Fees, Performance Fees and Other Expenses

The Investment Fund pays all ordinary expenses incurred in connection with its operation and administration, and is responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. The Investment Fund is also responsible for investment expenses incurred by the Manager and the Investment Advisor relating to investment operations, due diligence and research, including any costs related to investment transactions which are not completed. The Manager is responsible for payment of fees to the Investment Advisor from the management fee it receives from the Investment Fund.

During the initial commitment period of the Investment Fund, the Manager was paid a management fee equal to an annual rate of 1.0% of the net asset value ("NAV") of the Investment Fund (adjusted to include the unpaid instalment receivables) on the portion of the capital of the Investment Fund that had not yet been committed to underlying private equity investments. As capital was committed to underlying private equity investments, the management fee increased to 1.95% of the NAV on such committed amounts. The initial commitment period ended when the Investment Fund had made commitments to invest in underlying private equity investments in an aggregate amount equal to the proceeds of the initial offering of Units, including the proceeds of the second instalments (see Note 5). Accordingly, the Manager is now paid a management fee equal to an annual rate of 1.95% of the NAV of the Investment Fund.

The Manager is also eligible to earn a Performance Fee of 10% of the amounts available to be paid once the performance hurdle has been met, beginning in 2010. In order for the Manager to become eligible to earn the Performance Fee in any year, the performance hurdle must be achieved. The following two criteria must be met in order to satisfy the performance hurdle: (i) the NAV per unit must be equal to the fully paid NAV per unit; and (ii) Unitholders must have received, or must receive in such year, on a cumulative non-compounding basis since the beginning of 2010, cash distributions per unit of net income and net realized capital gains (and excluding any amounts distributed to investors as a return of capital) equal to not less than 10% of the fully paid NAV per unit for each year.

The Performance Fee, if earned, is payable to the Manager in units over a five-year vesting period. The Manager cannot earn a Performance Fee unless the Investment Fund earns and distributes profits to Unitholders.

Each registered dealer whose clients hold Units is paid a service fee calculated and paid quarterly and equal to 0.40% annually of the NAV of the Units held at the end of the relevant quarter by clients of the registered dealer. No service fee is payable in respect of any Class F Units outstanding at the end of any quarter.

The Investment Fund is also subject to fees and expenses of the underlying private equity investments, including management fees payable to managers of private equity funds and carried interest payments or other performance fees. These fees and expenses form part of the invested capital in such underlying private equity investments for the purpose of determining their performance, and generally will be recovered by the Investment Fund and other investors prior to the payment of Performance Fees or a carried interest to the manager of the underlying private equity investment.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 8. Financial Instruments and Risk Management

The Investment Fund's financial instruments consist of portfolio investments, interest receivable and accrued expenses. As a result, the Investment Fund is exposed to various types of risks that are associated with its investment strategies, its financial instruments and the markets in which it invests. The most important risks include market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

#### *Currency Risk*

The value of securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which such securities are denominated. When the Investment Fund makes commitments to Underlying Investments in private equity which are denominated in currencies other than Canadian dollars, the Investment Fund may acquire Liquid Investments in those same currencies to ensure its ability to fully fund those commitments over time. The Investment Fund does not make any speculative currency investments in the foreign exchange market.

As at September 30, 2009, the Investment Fund had direct exposure to the following currencies:

	Currency Exposure (\$)	Percentage of Net Assets (%)
U.S. Dollar	10,652,855	26%
Euro	7,022,462	17%

The Manager has determined that based on the financial position of the Investment Fund as at September 30, 2009, if the Canadian dollar had strengthened or weakened by 1 percent in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$175,000. In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

#### *Interest Rate Risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Investment Fund's direct investments in debt securities were only in those with a term to maturity of less than one year. The Investment Fund has minimal direct sensitivity to interest rates, since such securities are usually held to maturity and are short-term in nature. The Investment Fund may borrow an amount up to 25% of its total assets and thereby become exposed to interest rate risk. There were no borrowings as at September 30, 2009.

#### *Other Price Risk*

The Investment Fund's portfolio investments, including those held through underlying funds and those held directly are susceptible to fluctuations in value caused by both industry and market conditions and the performance of the individual companies within the Private Equity investment portfolio.

The Investment Fund invests over a broad industry and geographic range. This allows the Investment Fund to gain the benefits of opportunities in many different areas and the diversification reduces the risk of loss in any one industry or region. By employing a process of in depth due diligence in selecting the underlying fund managers, committing only to those with strong track records, and using similar standards for direct investments and secondary fund investments, the Manager significantly reduces the risk of poor performance.

In addition, the diversification strategy of investing in several different underlying funds, who in turn, invest in several different individual companies, minimizes the impact on the Investment Fund of any loss that may be realized in any one company.

# KENSINGTON GLOBAL PRIVATE EQUITY FUND

## NOTES TO FINANCIAL STATEMENTS

September 30, 2009

### 8. Financial Instruments and Risk Management (Cont'd)

The Manager has determined that based on the financial position of the Investment Fund as at September 30, 2009, if the value of the Investment Fund's private equity investments increased or decreased by five percent, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$1,340,000. In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

#### *Credit Risk*

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it entered into with the Investment Fund. The Investment Fund limits credit loss by placing its cash and cash equivalents with high quality government and financial institutions. The Statement of Portfolio Investments details the credit parties to which the Investment Fund is exposed with the respective amounts as well as the total exposure of the Investment Fund. The credit ratings provided by Fitch Ratings and Dominion Bond Rating Service of the Investment Fund's Liquid Investments as at September 30, 2009 are as follows:

AAA	92.7%
AA	<u>7.3%</u>
Total	<u>100.0%</u>

#### *Liquidity Risk*

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash flow commitments associated with financial instruments. The purpose of liquidity management is to ensure that there is sufficient cash to meet all financial commitments and obligations as they fall due. To manage short-term cash flow requirements, the Investment Fund maintains all of its assets which are not invested in private equity investments in liquid investments which are readily convertible into cash. Commencing December 2007, a Unitholder may redeem Units on a redemption date. The Investment Fund has reserved sufficient liquid investments to fund its obligations for Units tendered for redemption.

### 9. Subsequent Events

- On October 29, 2009, 115,194 Class F Units were issued for \$2,021,659.
- Unitholders may redeem Units annually on the Redemption Date (as defined in the Prospectus) by giving written notice to CDS by the relevant notice date, subject to certain conditions. On October 30, 2009, the applicable notice date for the current year, the Investment Fund received notice of redemption of a total of 33,875 Units. On January 15, 2010, the relevant Redemption Payment Date, the Investment Fund will arrange for payment to the redeeming Unitholders of an amount equal to 90% of the NAV per Unit as determined on December 31, 2009.
- Subsequent to September 30, 2009 the Investment Fund funded the following investment commitments:

HarbourVest Partners VIII-Venture Fund L.P.	US\$5,250
Nordea Private Equity II - European Middle-Market Buyout Fund K/S	€100,000
HarbourVest Partners VIII-Buyout Fund L.P.	US\$11,871
Novacap II, L.P.	C\$59,412
Bedford Capital IVC, L.P.	C\$65,232