



KENSINGTON PRIVATE
EQUITY FUND

Management Discussion and Analysis

FOR THE SIX MONTHS ENDED

SEPTEMBER 30 2021

2021

Management Discussion and Analysis

The Kensington Private Equity Fund (“KPEF” or the “Fund”) is an investment trust established under the laws of the Province of British Columbia. This Management Discussion and Analysis (“MD&A”) is being published for investors in KPEF in accordance with its governing Declaration of Trust and the regulatory requirements applicable to it as a Corporate Finance Issuer.

Kensington Capital Advisors Inc. (the “Manager” and “Trustee”) believes that investing in private equity will continue to offer the potential for attractive long-term returns that have historically outperformed public equity market returns. A well-planned private equity investment should reduce risk for traditional investment portfolios through diversification. The Manager provides investment advisory and portfolio management services to KPEF and is responsible for making all investment decisions.

KPEF OVERVIEW

KPEF was created to provide investors with exposure to a diversified portfolio of private equity investments (“Underlying Investments”), including private equity and venture capital funds and direct investments in private companies. By creating a hybrid private equity portfolio, the Manager believes investors will benefit from the potential for stronger returns from direct investments and the prudent risk management and diversification from investments in funds (“Underlying Funds”). KPEF is a leading open-ended private equity fund in Canada and invests primarily in North American focused late-stage venture as well as growth equity and traditional mid-market buyouts.

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Fund Performance And Investment Activities

KPEF's investment objective is to maximize long-term total returns for Unitholders through distributions of realized capital gains from Underlying Investments, while managing risk through prudent diversification. What separates alternatives from traditional investments is that they can deliver solid performance during challenging environments because they are less vulnerable to large swings in the stock and bond markets caused by short-term investor sentiments. More fundamentally than traditional investments, alternatives reflect the underlying longer-term values of their assets. They are sensitive to the broader economy, but without the short-term noise generated by continuous trading. KPEF continued its strong performance for the six months ended September 30, 2021 as the Net Asset Value (NAV) of KPEF increased by approximately \$374 million, consisting of unrealized gains and new subscriptions received from investors, net of distributions paid. The IRR per Unit was 22.2% for the six months ended September 30, 2021, based on the performance of Underlying Investments and considering the impact of other cash flows into and out of KPEF. The comparable return for the same period last year was 17.0%.

The fund further strengthened its portfolio with the addition of several new investments during the six months:

- Drop Technology Inc: A customer loyalty and rewards company based in Toronto. It helps consumers who use their debit and credit cards to collect points across an array of vendors and redeems their point on the Drop platform for various offers. The Company collects consumer data through its SaaS Model. It has linked itself to several large vendors including Nike and Adidas.
- Triangle Capital Corporation: Based in California, the Corporation acquires funeral homes and cemetery across north America. These funeral homes are within 20 miles range of the community. They offer array of services, which include high end services to more reasonably priced offerings. The company purchased Basham Shafter Funeral Care Inc, Golden State Funeral Care Inc. and Caring Funeral Services Inc. It has created a portfolio of 6 funeral homes and 2 crematoria in the central valley of California.
- The Fund made follow-on investments in Bold Canine Inc, Vaughn Mills Packaging Inc., Carp Retirement Partnership; White Swan Environmental Ltd, Horseshoe Power L.P and Clearpoint Health Network Inc.
- AlayaCare, Inc.: A leading cloud-based SaaS platform that offers clinical and operational tools for homecare agencies to improve efficiency and outcomes. With offices in Canada, the US and Australia, the company provides managed homecare logistics for both skilled and unskilled caretaker.

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Fund Performance And Investment Activities (Continued)

- The Fund made several new fund commitments, which include Inovia Continuity Fund I, LP; Inovia Growth Fund II LP; Lumira Ventures IV, L.P.; Novacap TMT VI, LP; Revelstoke Capital Partners Fund III, L.P.; Rhino III Limited Partnership; Trinity Hunt Partners VI-A, L.P.; Version One Ventures Partners V LP; Whitecastle New Urban Fund 5 L.P.; PSG V LP; Golden Ventures Partners Fund IV, LP; Portage Ventures III LP; Yellow Point Equity Partners V LP; ISQ Global InfraTech Fund, LP; Version One Opportunities Fund II LP and White Star Capital III.
- EverCommerce Inc. a leading service commerce platform, has undergone an initial public offering in July 2021. It's a provider of vertically- tailored integrated SaaS solutions that helps more than 500,000 service based businesses to integrate, accelerate growth and increase retention. It specializes in Home Services, Health Services and Fitness & Wellness Services industries. The Fund held Evercommerce shares through PSG PS Co-Investors L.P.
- Plus One Robotics Inc. Based in Texas, the company is a provider of an autonomy piece picking solution developed for an industrial robot arm, remote operation service and a vision inspection solution. The hardware would replace manual task done by human operators and increase productivity and reduce errors.
- Tomahawk Robotics, Inc.: An early-stage robotics software company, based in Melbourne, Florida. It specializes in the defense sector, specifically in the use of unmanned systems (drones, land vehicles, aquatic vehicles, etc.). Its proprietary platform, Kinesis, is android based and can be used on various phones such as Samsung Galaxy 20.
- Mint Smartwash: A developer and operator of high-volume express car wash tunnels based in Calgary with a geographical focus in Alberta, Saskatchewan and selected northern-US states. Kensington closed its initial investment of \$10.8 million in October 2020 and subsequently made an additional investment of \$5 million in May 2021 to continue Mint's expansion strategy.
- Nuvei Corp, an electronic payment processing company launched an IPO in September 2020. The IPO was TSX's largest tech IPO. In Q2-2021, Novacap sold a portion of its shares in Nuvei, realizing a gain of \$4 million for Kensington Private Equity Fund.
- Ace Brand: In April 2021, Ace Brand sold its cannabis business, held under Ace Valley to Canopy Growth Corporation which resulted a gain of \$11.3 million and MOIC of 2.7X

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Overview of the Investment Environment

Heading into the second half of 2021, the restart of economic activity continued to gain traction amidst increasing vaccination rates and global economies gradually normalizing activity. Deal flow continues to be strong throughout the quarter, and record levels of private equity dry powder impact the volume and pricing of transactions. Businesses are moving forward with adapting to changing situations from supply chains to hybrid work models. There is still a lot of capital in companies and in private funds, available for investment. That means there are a lot of investments being offered, most of which are overpriced for the quality and risk involved. The challenge for the Manager is finding those opportunities that are well priced relative to the return expectations. The Kensington Private Equity Fund portfolio is well positioned from a defensive perspective with good exposure to sectors that are recession resistant such as health care and food products. We look for opportunities that appear to be properly priced given the risk, and where we can develop a plan to support management in building earnings at an above normal rate.

Economic Environment

The Manager continues to believe that the pandemic has had a significant and long-term impact on the economy. Central banks are maintaining low interest rates, although there is growing anticipation that a hawkish view will emerge against inflation concerns. Furthermore, while corporate margins have benefited from years of stagnant input and labour costs and historically low interest expense, the path forward could be split depending on the industry. For example, tech companies and healthcare are positioned to pass on rising cost pressures, while labour-intensive industries such as retail could face margin pressures. We continue to believe that companies that are investing to adopt technologies are building a base for long term success. Strong local supply chains and distribution networks are proving to be valuable. As the global recovery continues to gain momentum, the longer term impact of the pandemic will play out and it is the view of the Manager that a conservative investment approach is well justified.

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Current Private Equity Market Conditions

2021 continues to observe record level pricing and capital deployment. Buyers who were slow to invest last year and missed the initial rebound in valuations increased their deployment pace this year despite several consecutive quarters of NAV write-ups. Furthermore, private markets continue to benefit from a supportive IPO environment with a particular interest in innovative and tech-driven IPOs. The Manager continues to follow its investment thesis to partner with strong management teams to build great businesses. The same philosophy applies to funds and to direct investments. The quality of management is the most important factor in both. The Manager has developed the Fund's portfolio to include a balance of venture, growth, and mature funds and companies. The venture capital market is robust with deal sizes growing and funding readily available. Sectors such as fintech, business productivity, and health and biotech will likely continue to attract significant investments. Cybersecurity will also be a high-focus area for investors, with the increase in remote working and as more transactions and data move to cloud networks. Consumers more than governments are now driving shifts relocated to climate change, such as electric vehicles. The growth capital market is very popular with funds being raised in all parts of the world to invest in the acceleration of corporate growth. The buyout segment of the market continues to be strong as owners divest of non-core businesses, or founders decide to sell. We are seeing a meaningful flow of opportunities in all sectors and have been fortunate in having long-standing relationships that afford some well-priced investments that have been made by the Fund. We believe that at some point companies and private investors will become worried enough about the economy that prices may improve for buyers. Until then, we are being careful in pricing our investments for attractive long-term returns. Lastly, ESG factors are clearly rising in its level of consideration with investors. Sustainability is reshaping the world and there is an emerging opportunity for private equity sponsors to respond by implementing new and creative investment practices. We view ESG as consistent with our investment decision making process, which includes strong corporate governance, as well as consideration of responsible stewardship of environmental and social capital.

Summary

The Fund's mature portfolio offers the potential of a continuing flow of distributions from the sale of portfolio companies. Because of our secondary market activities, we have investments that span two decades and we continually make primary investments. We are committing capital to funds that will invest over the coming decade. The result is a portfolio that reflects decades of economic conditions and related deal pricing. The Manager expects that the frequency of exit transactions and the aggregate value received by the Fund from these exits will continue. The Manager is continuously trying to increase the net investor return of the Fund and uses sector and industry allocation as part of its selection of tools to achieve that goal

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Current Portfolio Of Underlying Investments

The Manager maintains a portfolio of diversified private equity investments consisting of:

- Investments in venture, growth, and buyout private equity funds to provide the diversification required to manage risk, combined with significant allocations to direct investments in companies to enhance returns;
- Secondary investments to opportunistically take advantage of market dislocations.
- Investments in the buyout sector, growth equity, and venture capital sectors, in order to provide investors with access to different segments of the private equity market through a single investment in KPEF; and
- Private equity investments located primarily in Canada and the U.S., allocated in a manner consistent with the Manager's expertise and its views on the most compelling investment regions and opportunities.

The investment strategy used to construct the portfolio of KPEF relies upon the Manager's proactive sourcing of deal flow and active management of the portfolio. This investment strategy is 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 KPEF.

As at September 30, 2021, KPEF held investments in 66 primary funds, 8 independent secondary fund portfolios, and 51 direct investments. The Manager continues to review private equity investment opportunities on an ongoing basis to achieve KPEF's investment objective.

In accordance with the Declaration of Trust governing KPEF, the Manager has the responsibility for establishing target portfolio weighting guidelines by geographic region, investment type and investment sector, with the expectation that the actual weightings will vary over time depending on market conditions and available opportunities, among other factors.

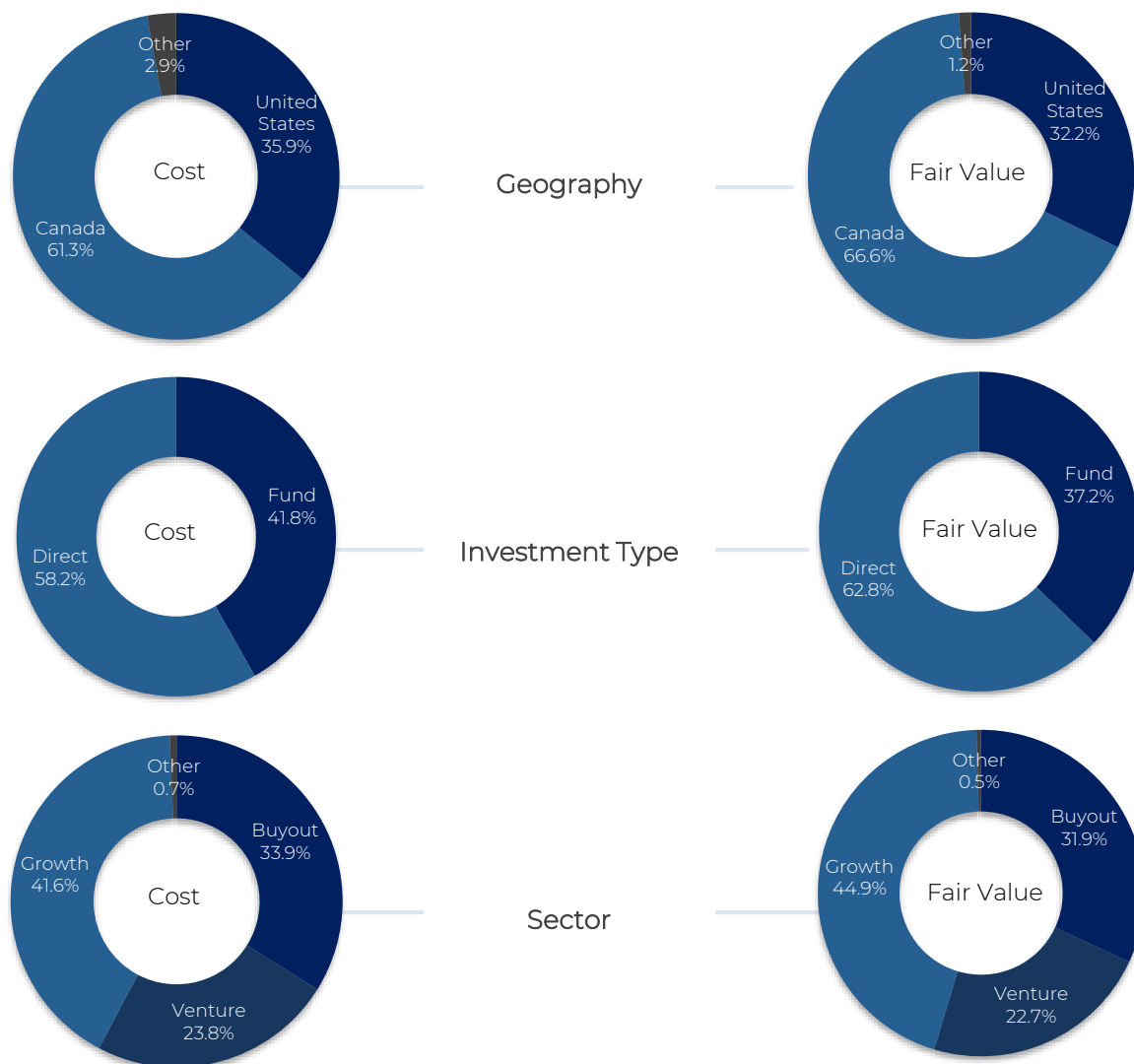
The fair value of private equity investments is valued initially based on the transaction price and may continue to be valued at cost for a significant time period after the acquisition, if this is determined to be the best indicator of fair value. Valuations may also be derived by reference to observable valuation measures for comparable companies or transactions, such as multiplying a key performance metric by a relevant valuation multiple. These multiples are derived from observable market data and private market data by applying assumptions on the comparability of the businesses, considering operational, market, financial and non-financial factors.

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Current Portfolio Of Underlying Investments (Continued)

KPEF may base the valuation on references to third-party investments or precedent transactions in comparable equity securities of the company and other similarly situated companies, and will consider current average or median multiples as well as high and low ends of the comparative data set. After the valuation of a company is determined, the next step is to determine the value of the specific securities owned by KPEF. In many cases, the securities of venture and growth stage investments are structured with a downside liquidation preference or similar provision providing substantial reduction in downside risk while preserving full upside participation. As a result, the uncertainty in KPEF private market valuations is asymmetric, with lower downside risks relative to higher upside opportunities. A similar asymmetric valuation assessment applies to certain fund investments held by KPEF where the specific securities held by KPEF have features that reduce their downside financial risks.

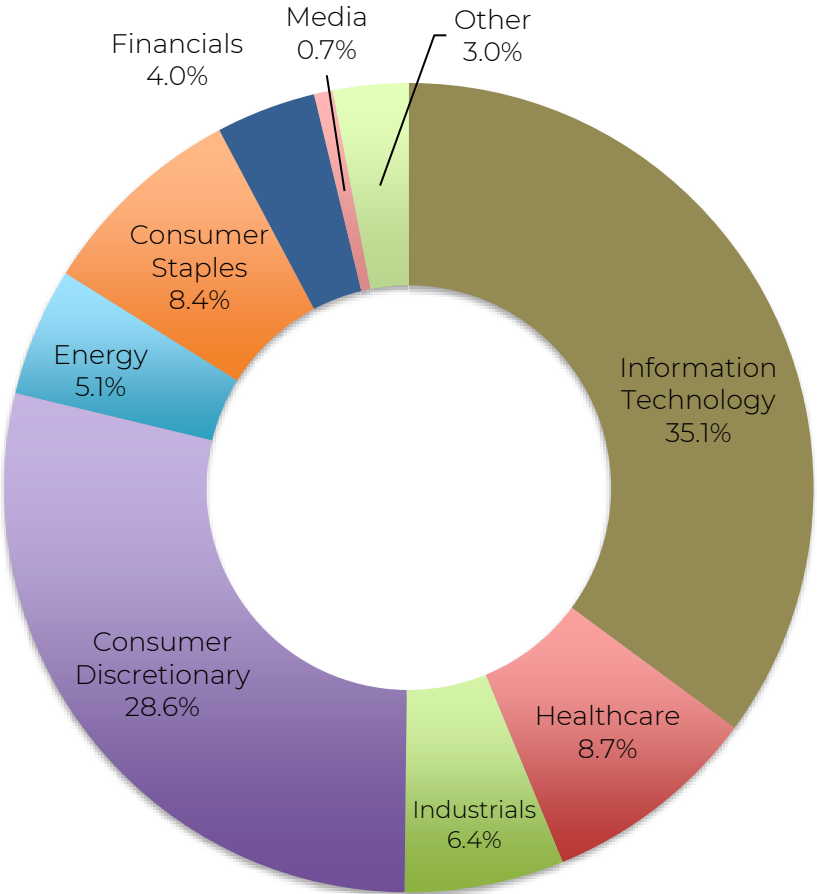
PORTFOLIO ALLOCATION WEIGHTINGS



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KPEF Industry Weightings of Private Equity Investment (Fair Value)

In addition to the 51 direct investments in private companies, the KPEF portfolio as of September 30, 2021, includes Underlying Investments in indirect investments in private companies through primary and secondary fund portfolios, and much smaller indirect investments in many additional private companies through the fund of funds portfolios. These companies are diversified across multiple industry sectors, as set out in the chart to the right.



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KPEF Net Asset Value

Underlying Investments:

As at September 30 2021, KPEF held Underlying Investments totaling \$1,068 million representing 81% of the NAV. During the period, KPEF realized certain private equity investments, resulting in a shift from unrealized gains reported in prior year to realized gains in the current period. Excluding the impact of net new subscriptions of \$282 million and distributions of \$34 million, the net asset value of Underlying Investments increased by \$127 million during the six months period.

Liquid Investments:

KPEF invests directly in Underlying Funds by committing and advancing capital as such amounts are drawn down by the respective managers of the Underlying Funds. Capital held by KPEF pending investment in private equity investments is invested in a variety of financial products ("Liquid Investments") such as 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.

As at September 30, 2021, KPEF held Liquid Investments totaling \$124 million, representing an increase of \$45 million from the \$79 million of Liquid Investments held at September 30, 2020. At September 30, 2021, Liquid Investments comprised 9.4% of the NAV. The Manager expects most of that liquidity to be utilized in the coming months as several investments that have been in due diligence are to close.

	September 30, 2021			September 30, 2020		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	44,663,920	44,663,920	3.4%	47,615,006	47,615,006	8.0%
Kensington Alternative Strategy Fund*	48,547,836	57,930,519	4.4%	25,547,836	29,948,438	5.0%
GIC Investment	21,500,000	21,643,046	1.6%	1,500,000	1,596,434	0.3%
	114,711,756	124,237,487	9.4%	74,662,842	79,159,878	13.3%

* This fund is also managed by the Manager - see "Related Party Transactions".

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KPEF Units Issued and Outstanding

As of September 30, 2021, KPEF had issued six classes of Units, Class A Units, Class F Units, Class E Units, Class G Units, Class U Units and Class C Units. As of September 30, 2021, KPEF had issued (net of redemptions and conversions) 134,434 Class A Units, 16,275 Class F Units, 1,082,328 Class E Units, 29,832,436 Class G Units, 996,193 Class U Units and 6,088,218 Class C Units for net proceeds of \$1,086 million.

Units of KPEF are listed on FundSERV, under the symbol KEN 100 (Class A Units), KEN 105 (Class E Units), KEN 110 (Class F Units), KEN 115 (Class G Units), KEN 125 (Class U Units), and KEN 130 (Class C Units). Current NAV information is provided directly to investment accounts through Fundata.

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

Management Expense Ratio:

KPEF's Management Expense Ratio (MER) is reported in accordance with applicable accounting standards and securities laws. The 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 KPEF includes expenses incurred by Underlying Funds. Unlike typical mutual fund expenses, the expenses incurred by these Underlying Funds will be recovered by KPEF 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 Manager has also calculated the unrecoverable portion of the MER during the relevant periods ("Unrecoverable MER"), is the reported MER less the amounts expected to be recovered from Underlying Funds as described above.

	Period Ended Sep 30, 2021					
	Class A Units	Class F Units	Class E Units	Class G Units	Class U Units	Class C Units
Net Asset Value	4,754,733	632,185	32,514,735	1,033,820,079	33,372,927	213,311,435
Units Outstanding	134,434	16,275	1,082,328	29,832,436	996,193	6,088,218
Management expense ratio %	4.01%	3.48%	4.59%	3.53%	3.56%	2.86%
Unrecoverable management expense ratio %	2.90%	2.36%	3.47%	2.41%	2.45%	1.74%

	Period Ended Sep 30, 2020					
	Class A Units	Class F Units	Class E Units	Class G Units	Class U Units	Class C Units
Net Asset Value	4,154,795	470,717	21,847,582	473,576,912	23,794,075	73,752,541
Units Outstanding	153,133	15,921	932,029	17,819,272	854,684	2,762,812
Management expense ratio %	3.23%	2.71%	3.63%	2.87%	2.81%	2.19%
Unrecoverable management expense ratio %	2.40%	1.88%	2.80%	2.05%	1.99%	1.36%

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Selected Financial Data

The following table shows selected key financial information about KPEF, which summarizes the KPEF financial performance for the quarter ended September 30, 2021 along with the performance of the eight previous quarters.

	For the quarter ended September 30, 2021						For the quarter ended June 30, 2021					
	Class A	Class F	Class E	Class G	Class U	Class C	Class A	Class F	Class E	Class G	Class U	Class C
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total operating income	500,369	66,458	3,302,753	106,956,199	3,556,589	20,485,587	255,835	30,796	1,449,881	43,418,744	1,482,219	7,697,327
Total profit/(loss)	453,177	61,195	2,921,182	97,695,503	3,252,123	18,997,656	(487)	1,078	18,456	2,204,016	(133,913)	1,204,725
Total profit/(loss) attributable per-unit basis	3.37	3.76	2.78	3.33	3.26	3.37	0.00	0.07	0.02	0.08	(0.13)	0.26
Total net assets	4,754,733	632,185	32,514,735	1,033,820,079	33,372,927	213,311,435	4,728,671	570,990	27,138,426	881,348,326	30,120,804	157,569,238
Distributions declared and paid	-	-	-	-	-	-	1.12	1.12	1.12	1.12	1.12	1.12

	For the quarter ended March 31, 2021						For the quarter ended December 31, 2020					
	Class A	Class F	Class E	Class G	Class U	Class C	Class A	Class F	Class E	Class G	Class U	Class C
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total operating income	750,828	88,357	3,902,936	116,912,817	3,309,846	18,615,672	214,228	24,463	1,145,083	29,891,802	610,835	4,269,252
Total profit/(loss)	713,369	84,534	3,633,869	111,133,842	3,085,579	17,923,619	176,247	20,655	721,846	25,365,124	405,062	3,899,606
Total profit/(loss) attributable per-unit basis	4.83	5.31	4.11	4.88	3.41	5.11	1.16	1.30	0.77	1.24	0.47	1.31
Total net assets	4,892,303	575,907	25,407,556	762,208,361	29,580,717	121,379,352	4,259,298	491,372	22,747,067	612,817,740	24,699,137	87,586,066
Distributions declared and paid	-	-	-	-	-	-	-	-	-	-	-	-

	For the quarter ended September 30, 2020						For the quarter ended June 30, 2020					
	Class A	Class F	Class E	Class G	Class U	Class C	Class A	Class F	Class E	Class G	Class U	Class C
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total operating income	316,906	35,887	1,668,240	36,021,164	2,223,357	5,584,029	53,539	6,235	282,250	5,707,905	36,504	912,899
Total profit/(loss)	294,455	33,353	1,530,086	33,106,684	2,084,081	5,256,275	10,790	2,453	32,638	2,244,233	(135,506)	483,917
Total profit/(loss) attributable per-unit basis	1.92	2.09	1.63	1.88	2.48	1.95	0.07	0.15	0.04	0.14	(0.17)	0.19
Total net assets	4,154,795	470,717	21,847,582	473,576,912	23,794,075	73,752,541	3,966,420	444,162	21,010,867	428,149,529	21,169,994	66,626,135
Distributions declared and paid	1.27	1.27	1.27	1.27	1.27	1.27	-	-	-	-	-	-

	For the quarter ended March 31, 2020						For the quarter ended December 31, 2019					
	Class A	Class F	Class E	Class G	Class U	Class C	Class A	Class F	Class E	Class G	Class U	Class C
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total operating income	181,218	31,081	1,839,956	18,769,425	2,406,280	1,999,285	47,823	23,791	948,462	4,763,096	275,700	
Total profit/(loss)	140,705	23,499	1,180,590	14,048,015	2,172,795	1,539,794	6,607	6,415	119,354	1,565,959	127,803	
Total profit/(loss) attributable per-unit basis	0.94	0.69	0.52	0.91	2.74	0.96	0.04	0.09	0.03	0.10	0.17	
Total net assets	3,955,630	472,651	28,564,709	416,463,144	21,305,500	57,602,991	3,866,763	1,942,414	77,648,410	398,146,200	19,435,763	
Distributions declared and paid	-	-	-	-	-	-	-	-	-	-	-	-

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RELATED PARTY TRANSACTIONS

The KPEF investment portfolio includes investments in three funds managed by the Manager. KPEF has invested \$48,547,836 in Kensington Alternative Strategy Fund, KPEF has committed \$23,850,000 to Kensington Venture Fund, LP, which will be drawn by that fund over a 13-year period, and KPEF has committed \$25,745,857 to Kensington Venture Fund II, LP, which will be drawn by the fund over a 12-year period. As of September 30, 2021, the total amount funded by KPEF into Kensington Venture Fund and Kensington Venture Fund II was \$15,383,703 and \$6,436,464, respectively. In each case, these related party investments are structured to ensure there is no duplication of management fees paid by KPEF to the Manager.

RISK FACTORS

KPEF is subject to several risks, including all the risks described in the KPEF Annual Information Form dated June 30, 2021.

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 the Manager's expectations regarding future events. By their nature, forward-looking statements must be based on 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. Readers of this document are cautioned not to place undue reliance on forward-looking statements as several 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 the Manager's 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, foreign exchange rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which KPEF may invest and the risks detailed from time to time in KPEF's Offering Memorandum, Annual Information Form and other investor documentation. The foregoing list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to investing in KPEF, 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 KPEF nor the Manager 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.

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This management discussion and analysis of the Kensington Private Equity Fund contains financial highlights as well as the financial statements for the year ended March 31, 2021. You may obtain a copy of the financial statements and the annual information form at your request, and at no cost, by calling 416-362-9000 or toll-free at 1-855-362-9329, by writing to us at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6, or by visiting our website at www.kcpl.ca. Additional information relating to the Kensington Private Equity Fund is on SEDAR at www.sedar.com.