KENSINGTON PRIVATE EQUITY FUND

Audited Financial Statements

FOR THE YEAR ENDED March 31, 2022

2022

KENSINGTON PRIVATE EQUITY FUND

INTRODUCTION

Management's Responsibility for Financial Reporting

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

The financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 2 of the financial statements.

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

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

Thomas Kennedy
Chairman
Kensington Capital Advisor Inc

Alfred Chuang
Chief Financial Officer
Kensington Capital Advisor Inc

June 28, 2022

KENSINGTON PRIVATE EQUITY FUND

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Independent Auditor's Report

To the Unitholders of Kensington Private Equity Fund

Opinion

We have audited the financial statements of Kensington Private Equity Fund (the "Fund"), which comprise the statements of financial position as at March 31, 2022 and 2021, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

- Management's Discussion and Analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
June 28, 2022

KENSINGTON PRIVATE EQUITY FUND

Statement of Financial Position
As at March 31, 2022 and March 31, 2021

		March 31, 2022		March 31, 2021
Assets				
Cash	$	16,202,447	$	48,853,974
Investments (Notes 3 & 4)		1,696,188,711		891,265,847
Accounts receivable		6,643,957		7,809,038
Prepaid expenses		840,145		214,314
		1,719,875,260		**948,143,173**
Liabilities				
Subscription received in advance		100,000		-
Accrued expenses		6,630,315		4,098,977
Loan payable (Note 5)		68,000,000		-
		74,730,315		**4,098,977**
Net assets attributable to holders of redeemable units		**1,645,144,945**		**944,044,196**
Net assets attributable to holders of redeemable units				
Class A	$	5,043,324	$	4,892,303
Class F		684,090		575,907
Class E		36,383,223		25,407,556
Class G		1,240,279,737		762,208,361
Class U		34,809,991		29,580,717
Class C		320,630,899		121,379,352
Class M		7,313,681		-
		1,645,144,945		**944,044,196**
Number of redeemable units issued and outstanding (Note 6)				
Class A		133,894		147,708
Class F		16,465		15,921
Class E		1,145,322		892,859
Class G		33,517,031		23,472,630
Class U		1,038,956		937,100
Class C		8,537,796		3,708,746
Class M		196,361		-
		44,585,825		**29,174,964**
Net assets attributable to holders of redeemable units per unit				
Class A		37.67		33.12
Class F		41.55		36.17
Class E		31.77		28.46
Class G		37.00		32.47
Class U		33.50		31.57
Class C		37.55		32.73
Class M		37.25		-

The accompanying notes are an integral part of these financial statements

KENSINGTON PRIVATE EQUITY FUND

Statement of Comprehensive Income
For the Year Ended March 31, 2022 and March 31, 2021

	March 31, 2022	March 31, 2021
Investment income	$ 7,816,396	$ 7,061,009
Net realized gain on portfolio investments	53,936,001	26,474,668
Net realized gain on foreign currency translation	5,514,269	9,368,065
Net realized loss on foreign currency contracts	(1,939,498)	-
Net change in unrealized appreciations on portfolio investments	253,388,398	205,408,373
Net change in unrealized depreciation on foreign currency translation	(10,400,174)	(16,023,801)
Total operating income	**308,315,392**	**232,288,314**
Expenses (Note 8)		
Management fee (inclusive of HST)	21,442,784	10,678,363
Expenses incurred by investee funds	16,182,351	4,926,855
Performance fee (inclusive of HST)	6,402,520	3,917,404
Service fees	369,267	249,830
Legal fees	1,268,918	372,795
Professional fees	1,175,814	259,826
Unitholders' communication	274,476	91,549
Custodian and transfer agent fees	670,155	377,450
Interest expense	1,716,178	23,551
Withholding taxes from investee funds	179,641	138,825
HST expenses	251,399	(922,716)
Other expenses	83,681	67,769
Total operating expenses	**50,017,184**	**20,181,501**
Operating profit	**258,298,208**	**212,106,813**
Increase in net assets attributable to holders of redeemable units from operations	**258,298,208**	**212,106,813**
Increase in net assets attributable to holders of redeemable units from operations per class		
Class A	$ 849,397	$ 1,194,862
Class F	117,765	140,996
Class E	5,654,385	5,918,440
Class G	200,320,998	171,849,880
Class U	3,862,474	5,439,217
Class C	46,922,634	27,563,418
Class M	570,555	-
	258,298,208	**212,106,813**
Increase in net assets attributable to holders of redeemable units from operations per unit		
Class A	$ 6.16	$ 7.93
Class F	7.20	8.82
Class E	5.22	6.45
Class G	6.67	8.91
Class U	3.83	6.40
Class C	7.40	9.41
Class M	3.02	-

The accompanying notes are an integral part of these financial statements

KENSINGTON PRIVATE EQUITY FUND

Statement of Change in Net Assets Attributable to Holders of Redeemable Units
For the year ended March 31, 2022 and March 31, 2021

2022

	Class A	Class F	Class E	Class G	Class U	Class C	Class M	**Total**
Beginning net assets	4,892,303	575,907	25,407,556	762,208,361	29,580,717	121,379,352	-	944,044,196
Conversions	(501,290)	-	(66,571)	(4,466,038)	-	(840,227)	5,874,126	-
Contributions	111,528	19,154	8,777,136	365,104,879	3,097,122	163,593,235	869,000	541,572,054
Redemptions	(55,730)	-	(1,564,841)	(34,857,197)	-	(1,245,643)	-	(37,723,411)
Distributions	(252,884)	(28,736)	(1,824,442)	(48,031,266)	(1,730,322)	(9,178,452)	-	(61,046,102)
Increase in net assets	849,397	117,765	5,654,385	200,320,998	3,862,474	46,922,634	570,555	258,298,208
Ending net Assets	**5,043,324**	**684,090**	**36,383,223**	**1,240,279,737**	**34,809,991**	**320,630,899**	**7,313,681**	**1,645,144,945**

2021

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

The accompanying notes are an integral part of these financial statements

KENSINGTON PRIVATE EQUITY FUND

Statement of Cashflows
For the year ended March 31, 2022 and March 31, 2021

	March 31, 2022	March 31, 2021
Cash used in operating activities		
Increase in net assets attributable to holders of redeemable units from operations	$ 258,298,208	$ 212,106,813
Net change in unrealized appreciation on portfolio investments	(253,388,398)	(205,408,373)
Net change in unrealized depreciation on foreign currency translation	10,400,174	16,023,801
Net realized gain on portfolio investments	(53,936,001)	(26,474,668)
Net realized gain on foreign currency translation	(5,514,269)	(9,368,065)
Net realized loss on foreign currency contracts	1,939,498	622,915
Net change in non-cash investing activities	(1,590,709)	(2,459,946)
Net change in non-cash working capital	3,070,588	(5,414,459)
Proceeds and return of capital from Private Equity investments	99,535,496	59,391,802
Purchase of Private Equity investments	(620,192,030)	(225,025,182)
Purchase of short-term investment	(13,000,000)	(36,000,000)
Redemption of short-term investments	30,823,375	-
Net cash used in operating activities	**(543,554,068)**	**(222,005,362)**
Cash provided by financing activities		
Subscription received in advance	100,000	-
Capital contributions from holders of redeemable units	541,572,054	246,440,334
Capital redemptions to holders of redeemable units	(37,723,411)	(15,818,205)
Distributions paid to holders of redeemable units	(61,046,102)	(27,049,371)
Loan advanced	68,000,000	-
Net cash provided by financing activities	**510,902,541**	**203,572,758**
Decrease in cash during the period	(32,651,527)	(18,432,604)
Cash, beginning of the period	48,853,974	67,286,578
Cash, end of the period	**16,202,447**	**48,853,974**

The accompanying notes are an integral part of these financial statements

1. Formation of Kensington Private Equity Fund

Kensington Private Equity Fund ("KPEF" or the "Trust") is an investment trust established under the laws of the Province of British Columbia. KPEF is the successor to Kensington Global Private Equity Fund ("Global Fund"), which was established in a public offering of units in April 2007. On September 17, 2014, Global Fund transferred substantially all of its assets and transitioned into KPEF. Accordingly, the historical results and other characteristics of Global Fund are presented in these financial statements as part of the historical results of KPEF. Effective April 1, 2016, KPEF's regulatory status changed from being an "Investment Fund" to a "Corporate Finance Issuer".

As of March 31, 2022, KPEF had issued seven classes of Units: Class A Units, Class F Units, Class E Units, Class G Units, Class U Units, Class C Units and Class M Units. The seven classes of units are collectively and interchangeably referred to herein as the "Units". Holders of Units are collectively referred to herein as the "Unitholders".

Kensington Capital Advisors Inc. is the Manager and Trustee of KPEF. The Manager is entitled to a management fee based on the net asset value ("NAV") of KPEF. The Manager is also eligible to earn a performance fee ("Performance Fee"). See Note 8.

Income is allocated to the Unitholders on a pro rata basis. There is no termination date for KPEF.
KPEF's registered office is at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, Canada. The financial statements were authorized for issuance by the Manager on June 28, 2022.

2. Significant Accounting Policies

Basis of Presentation
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit and loss ("FVTPL") which are measured at fair value.

KPEF qualifies as an investment entity as it meets the following definition of an investment entity as outlined in IFRS 10, Consolidated Financial Statements:

- Obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- Commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both;
- Measures and evaluates the performance of substantially all its investments on a fair value basis.

No significant judgements or assumptions were made in determining that KPEF meets the definition of an investment entity as defined in IFRS 10.

2. Significant Accounting Policies (continued)

Use of Estimates

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

Investments

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

Valuation of Investments

Fair values for most of the Fund's investments are measured using a combination of market, income approaches and reported values from private equity fund managers. Market approaches include comparable company transactions, earnings multiples, the price of a recent investment, net assets, discounted cash flows, industry valuation benchmarks and available market prices. The most appropriate methodology, on an investment by investment basis, is chosen to determine fair value. The investments held by the underlying private equity fund managers, are defined as underlying investments. These portfolio investments fair values are based on the fair value of the underlying investments held by each of the funds. Fair value is defined and evaluated independently by each fund. The Manager may adjust these values if, in its view, the values do not reflect the price which would be paid in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act. Considerable judgment may be required in interpreting market data used to develop estimates of fair value. Accordingly, actual values realized in future market transactions may differ from the estimates presented in these financial statements. The use of different market assumptions and/or valuation methodologies may have a material effect on the estimated fair values. The fair values of public equity investments are based on bid prices for financial assets and ask prices for financial liabilities. KPEF categorizes its fair value measurements using a three-level fair value hierarchy in accordance with IFRS as described in Note 4.

Short-term and Other Investments (Liquid investments)

Liquid investments consist of government treasury bills, money market instruments and investment grade securities. Fair value is determined using cost, which together with accrued interest income, approximates fair value due to short term nature of these securities. For investments in other funds, fair value is based on the net asset value of the underlying investee fund.

2. Significant Accounting Policies (continued)

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

Classification
KPEF classifies its financial assets and liabilities into the categories below in accordance with IFRS 9, Financial Instruments.

Financial Assets
Financial assets are either classified at fair value or at amortized cost. The classification depends on (a) the business model for managing the financial assets and (b) the cash flow characteristics of the financial assets. All financial assets through profit or loss are classified at fair value on the basis that they are part of a portfolio of financial assets which are managed and whose performance is evaluated on a fair value basis in accordance with investment strategies and risk management of KPEF. Financial assets classified at fair value through profit or loss include investments. Cash and accounts receivable is carried at amortized cost, which approximates fair value given their short-term nature.

Financial liabilities classified at fair value through profit and loss
Financial liabilities are either classified at fair value through profit or loss ("FVTPL"), or at amortized cost. The classification depends on (a) whether the financial liability meets the definition of held for trading or (b) upon initial recognition the financial liability is designated as at fair value through profit or loss. Accrued expenses, subscription received in advance, and loan payable are carried at amortized cost.

Functional and presentation currency
KPEF's functional and presentation currency is the Canadian dollar, which is the currency of the primary economic environment in which it operates. KPEF's performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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

Investment Income
Income from investments includes realized gains and losses from investments, changes in unrealized gains and losses on investments, dividend income and interest income. Interest income for distribution purposes is recorded on an accrual basis, based upon the stated coupon. Dividend income is recorded when declared and payable to KPEF. The difference between fair value and cost of investments is recorded as unrealized appreciation (depreciation) of portfolio investments. Realized gain and loss is recorded when paid or realized by KPEF.

2. Significant Accounting Policies (continued)

Classification of Redeemable Units Issued by KPEF
Financial Instruments: Presentation (IAS 32) requires that redeemable units of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability when they meet the criteria set up in IAS 32. KPEF's redeemable units do not meet the criteria in IAS 32 for classification for equity as they involve multiple contractual obligations on the part of KPEF and, therefore, have been classified as financial liabilities.

Foreign Currency Translation
Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of portfolio investments are translated at the rate of exchange prevailing on the respective date of such transaction. The related exchange gain or loss is recognized in net earnings.

Increase/Decrease in Net Assets Attributable to Holders of Redeemable Units from Operations per Unit
Increase/Decrease in net assets attributable to holders of redeemable units from operations per unit in the statement of comprehensive income represents the net increase/decrease in net assets attributable to holders of redeemable units by class from operations for the period divided by the average number of units outstanding during the period.

Capital Disclosures
IFRS requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity is subject to any externally imposed capital requirements; and (iv) if it has not complied with any such capital requirements, the consequences of such non-compliance. KPEF's objectives, policies and processes are described in Note 1. Information on KPEF's Unitholders' equity is described in Note 6 and the Statement of changes in net assets. Externally imposed capital requirements are described in Note 5.

3. Cash, Short Term and Other Investments (Liquid Investments)

Capital held by KPEF pending investment in private equity investments is invested in short-term investments, consisting of a variety of financial products such as cash, money market instruments and investment grade securities, as well as hedge funds (which are redeemable on a monthly basis) and other securities consistent with the overall objectives of liquidity, capital preservation and an appropriate return.

	March 31, 2022			**March 31, 2021**		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	16,202,447	16,202,447	1.0%	48,853,974	48,853,974	5.2%
Kensington Alternative Strategy Fund	42,724,462	46,428,690	2.8%	35,547,836	43,866,690	4.6%
GIC Investment	1,500,000	1,609,189	0.1%	21,500,000	21,605,338	2.3%
	60,426,909	**64,240,326**	**3.9%**	**105,901,810**	**114,326,002**	**12.1%**

4. Investments

Fair Value Measurements

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

A fair value measurement is made up of one or more inputs, which are the assumptions that market participants would make in valuing the asset or liability. The most reliable evidence of fair value is a quoted price in an active market. When this is not available, valuation approaches maximize use of relevant observable inputs and minimize the use of unobservable inputs. These inputs are classified using a three-level fair value hierarchy framework (the "Framework") that reflects the relative reliability of the inputs used in making the measurements. The inputs and methodology used for valuing securities may not be an indication of the risks associated with investing in those securities.

The Framework used is summarized as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that KPEF has the ability to access;
- Level 2: inputs other than quoted prices in Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices) for identical or similar assets in markets that are not active or inputs other than quoted prices that are observable (for example: Interest rates, yield curves and credit spreads); and
- Level 3: inputs for the assets or liabilities that are not based on an observable market data, which are significant to the overall fair value assessment, requiring significant judgment by the General Partner.

The categorization of the fair value measurement into one of the three levels is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Assessing the significance of a particular input requires judgment, taking into account factors specific to the asset or liability. The following is a summary of KPEF's investments, as at March 31, 2022 and March 31, 2021 classified using the Framework.

4. Investments (continued)

Assets at fair value as at March 31, 2022

	Level 1	Level 2	Level 3	**Total**
Private Equity Investments	-	-	1,554,079,099	**1,554,079,099**
Public Equity Investments	94,071,734	-	-	**94,071,734**
Other Investment	-	48,037,878	-	**48,037,878**
Total	**94,071,734**	**48,037,878**	**1,554,079,099**	**1,696,188,711**

Assets at fair value as at March 31, 2021

	Level 1	Level 2	Level 3	**Total**
Private Equity Investments	-	-	766,445,228	**766,445,228**
Public Equity Investments	59,348,591	-	-	**59,348,591**
Other Investment	-	65,472,027	-	**65,472,027**
Total	**59,348,591**	**65,472,027**	**766,445,228**	**891,265,847**

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

	Private Equity Investments
Beginning Balance, April 1, 2021	**766,445,228**
Purchases	617,761,359
Sales	(36,002,729)
Change in unrealized appreciation included in net income	226,452,000
Transfer to Level 1	(20,576,759)
Ending Balance, March 31, 2022	**1,554,079,099**

	Private Equity Investments
Beginning Balance, April 1, 2020	**436,108,170**
Purchases	225,007,592
Sales	(24,171,984)
Change in unrealized appreciation included in net income	185,302,246
Transfer to Level 1	(55,800,796)
Ending Balance, March 31, 2021	**766,445,228**

Total unrealized appreciation on investments still held as at March 31, 2022 was $506,682,738 (March 31, 2021: $264,432,527).

4. Investments (continued)

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

The unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy together with a quantitative sensitivity analysis as at March 31, 2022 and March 31, 2021 are shown below.

March 31, 2022

Description	Input[1]	Sensitivity used[2]	Fair Value[3]	Weighted Average[4]	Impact[5]
Private equity funds - Buyout	Net asset value	+/- 3.0%	$242,641,733	86.3%	+/- 3.6%
		+/- 5.0%	$19,030,300	6.8%	
		+/- 9.0%	$19,615,355	7.0%	
Private equity funds - Growth	Net asset value	+/- 3.5%	$84,467,800	50.5%	+/- 5.0%
		+/- 6.0%	$73,554,705	44.0%	
		+/- 11.0%	$9,189,286	5.5%	
Private equity funds – Venture	Net asset value	+/- 4.5%	$127,567,613	60.0%	+/- 7.4%
		+/- 8.0%	$28,562,061	13.4%	
		+/- 13.5%	$56,623,005	26.6%	
Private equity direct investments	EV/EBTIDA or EV/Revenue	+/- 0.5x	$167,307,296	74.1%	+/- 0.7%
		+/- 1.0x	$24,364,179	10.8%	
		+/- 1.5x	$34,084,904	15.1%	
	Recent Financing	0.5%/0.0%	$529,191,206	79.7%	+1.4%/-0.5%
		2.5%/-1.0%	$13,523,159	2.0%	
		5.0%/-2.5%	$121,036,600	18.2%	
Total			$1,550,759,202		

Notes to the Financial Statements
March 31, 2022 and March 31, 2021

March 31, 2021

Description	Input[1]	Sensitivity used[2]	Fair Value[3]	Weighted Average[4]	Impact[5]
Private equity funds - Buyout	Net asset value	+/- 2.0%	$78,778,065	77.3%	+/- 2.9%
		+/- 4.0%	$12,229,887	12.0%	
		+/- 8.0%	$10,915,760	10.7%	
Private equity funds - Growth	Net asset value	+/- 2.5%	$51,178,046	52.7%	+/- 4.2%
		+/- 5.0%	$36,306,343	37.4%	
		+/- 10.0%	$9,594,503	9.9%	
Private equity funds – Venture	Net asset value	+/- 3.5%	$18,789,316	25.2%	+/- 8.4%
		+/- 7.0%	$20,665,113	27.7%	
		+/- 12.0%	$35,227,930	47.1%	
Private equity direct investments	EV/EBTIDA or EV/Revenue	+/- 0.5x	$130,632,046	77.4%	+/- 11.4%
		+/- 1.0x	$26,601,884	15.8%	
		+/- 1.5x	$11,462,314	6.8%	
	Recent Financing	0.5%/0.0%	$202,599,897	64.2%	+1.9%/-0.8%
		2.5%/-1.0%	$26,605,875	8.4%	
		5.0%/-2.5%	$86,511,839	27.4%	
Total			$758,098,819		

1. Fund investment carrying values are recorded primarily on the basis of published net asset values from the private equity fund manager. Management reviews the reports and assesses its reasonableness.
2. In determining the sensitivity range, management considers a variety of factors including the private equity fund manager’s strategy, track record and fund specific underlying holdings.
3. Fair values presented exclude foreign currency hedges. The fair market value of the portfolio’s net investment hedged position is $3,319,897, (March 31,2021 $8,346,409) bringing the total Level 3 investments to $1,554,079,099 (March 31, 2021 $766,445,228).
4. Inputs were weighted based on the fair value of the investments included in the Sensitivity category
5. The impact presented is the directional change in the fair value of the Level 3 investments that would result from the corresponding increase or decrease in the unobservable input.

4. Investments (continued)

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

5. Loan Payable

KPEF has established a revolving credit facility of $125,000,000 with Canadian Imperial Bank of Commerce. The indebtedness is secured by the portfolio of assets of KPEF. The borrowing under this credit facility is subject to interest at Canadian Imperial Bank of Commerce’s Prime Lending Rate plus 1% per annum. In addition, the unused portion of the facility is subject to a standby charge at a rate of 0.20% per annum. The standby fee is calculated daily and charged monthly. The facility requires the Trust to maintain its Net Asset Value of not less than $650,000,000. As at March 31, 2022, the balance on the revolving credit facility was $65,000,000 (March 31, 2021: $0).

KPEF has entered into a promissory note of $3,000,000 with Arrow Machine and Fabrication Group Inc in connection with a share purchase agreement dated November 12, 2021. This promissory note bears no interest and is scheduled to be paid March 2023.

6. Units Outstanding

The following units were issued and redeemed for the years ended March 31, 2022 and March 31, 2021:

March 31, 2022

	Class A	Class F	Class E	Class G	Class U	Class C	Class M
Beginning balance	147,708	15,921	892,859	23,472,630	937,100	3,708,746	-
Class Switches	(15,688)	-	(1,317)	(125,991)	-	(19,746)	171,089
Capital Contribution	3,496	544	307,692	11,239,731	101,856	4,885,989	25,272
Capital Redemption	(1,622)	-	(53,912)	(1,069,339)	-	(37,193)	-
Ending balance	133,894	16,465	1,145,322	33,517,031	1,038,956	8,537,796	196,361

6. Units Outstanding (continued)

March 31, 2021

	Class A	Class F	Class E	Class G	Class U	Class C
Beginning balance	149,795	16,535	1,240,088	16,110,606	794,213	2,226,454
Class Switches	(2,584)	(1,080)	(439,147)	28,845	-	364,535
Capital Contribution	3,338	466	102,411	7,854,155	142,887	1,155,814
Capital Redemption	(2,841)	-	(10,493)	(520,976)	-	(38,057)
Ending balance	147,708	15,921	892,859	23,472,630	937,100	3,708,746

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

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

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

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

7. Income Tax

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

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

8. Management Fees, Performance Fees and Other Expenses

KPEF pays all ordinary expenses incurred in connection with its operation and administration and is responsible for commissions and other costs of securities transactions and any extraordinary expenses which may be incurred by it from time to time. KPEF is also responsible for investment expenses incurred by the Manager and advisory board relating to investment operations, due diligence and research, including any costs related to investment transactions which are not completed.

The Manager is paid a management fee equal to an annual rate of 1.95% of the NAV of the Class A Units and Class F Units; 1.65% of the NAV of the Class E Units, Class G Units and Class U Units; and 1.00% of the NAV of the Class C Units as reported at the end of each quarter.

The Manager is eligible to earn a performance fee on the Class A Units and the Class F Units of 10% of the amounts available to be paid once the performance hurdle has been achieved. The following two criteria must be met in order to satisfy the performance hurdle: (i) the NAV per unit must be equal to the fully paid NAV per unit; and (ii) Unitholders must have received, or must receive in such year, on a cumulative non-compounding basis since the beginning of 2010, cash distributions per unit of net income and net realized capital gains (and excluding any amounts distributed to investors on the Units as a return of capital) equal to not less than 10% of the fully paid NAV per unit for each year. The Performance Fee, if earned, is payable to the Manager in units over a five-year vesting period. The Manager cannot earn a Performance Fee unless KPEF earns and distributes profits to Unitholders.

The Manager is eligible to earn a performance fee based on net income and net realized capital gains earned by KPEF which are distributed to holders of Class E Units, Class G Units, Class U Units and Class C Units. The performance fee will be equal to that amount which results in the Manager receiving 10% of the sum of the total amount payable as cash distributions.

The Manager cannot receive a performance fee unless KPEF makes cash distributions to Unitholders. For the Manager to receive the performance fee on the Class E Units, Class G Units, Class U Units and the Class C Units in any year, the NAV per unit of those classes must be at least equal to the fully paid NAV per unit at the time a cash distribution is declared. The fully paid NAV per Unit will be reduced by any amounts distributed to investors as a return of capital.

8. Management Fees, Performance Fees and Other Expenses (continued)

Each registered dealer whose clients hold Class A Units is paid a service fee equal to 0.40% of the NAV, calculated and paid quarterly on those Class A Units held at the end of the relevant quarter by clients of the registered dealer. Each registered dealer whose clients hold Class E Units is paid a service fee equal to 1.00% of the NAV, calculated and paid quarterly on those Class E Units held at the end of the relevant quarter by clients of the registered dealer. No service fee is payable on the Class F, G, U, C and M Units.

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

From time to time the Manager may, in its sole discretion, reduce the management fee otherwise payable to it and allocate the benefit of such reduced fee to the Unitholder. In such case, the Fund will distribute to the Unitholder an amount equal to the reduction of the management fee. The amount of the management fee reduction is negotiable between the Manager and the Unitholder and will be based, among other factors, on the size of the holdings by the Unitholder in the Fund. Such management fee distributions will be made quarterly by the Fund to the relevant Unitholder, in an amount equal to the portion of the fee otherwise payable to the Manager. If the Manager determines to reduce its entitlement to its management fee in respect of one Unitholder, it will not be bound to do so in respect of other Unitholders or subsequent Unitholders.

For the year ended March 31, 2022, the management fees amounted to $19,341,801 plus HST of $2,100,983 (March 31, 2021: $9,669,035 plus HST of $1,009,328), of which $nil remains payable at March 31, 2022 (March 31, 2021: $0).

9. Risk Management

KPEF’s financial instruments consist of cash, accounts payable, subscription received in advance, portfolio investments, loan payable and accrued expenses. As a result, KPEF is exposed to various types of risks that are associated with its investment strategies, its financial instruments and the markets in which it invests. The most important risks include market risk (which includes currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

9. **Risk Management (continued)**

Currency Risk

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

As at March 31, 2022 and March 31, 2021, KPEF had direct exposure to the following currencies:

	March 31, 2022		**March 31, 2021**	
	Currency Exposure ($)	Percentage of Net Assets (%)	Currency Exposure ($)	Percentage of Net Assets (%)
U.S. Dollar	756,772,128	46.4%	359,725,417	38.1%
Euro	16,696,351	1.0%	2,486,741	0.3%

The Manager has determined that based on the financial position of KPEF as at March 31, 2022, if the Canadian dollar had strengthened or weakened by one percent in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $7,800,000 (March 31, 2021: $3,600,000). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. KPEF's direct investments in debt securities are at fixed rates. KPEF may borrow an amount up to 8% of its net assets as outlined in Note 5. The impact to this interest rate exposure is not material.

9. Risk Management (continued)

Other Price Risk

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

KPEF invests over a broad industry and geographic range. This allows KPEF to gain the benefits of opportunities in many different areas and the diversification reduces the risk of loss in any one industry or region. The Manager's investment screening, due diligence, investment decisioning and fund manager selection process is focused on creating investment portfolios that seek to generate attractive risk-adjusted returns.

In addition, the diversification strategy of investing in different private equity and venture funds, who in turn, invest in underlying individual companies across numerous industries, minimizes the impact on KPEF of any loss that may be realized in any one company.

The Manager has determined that based on the financial position of KPEF as at March 31, 2022, if the value of KPEF's private equity investments increased or decreased by five percent, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately $82,000,000 (March 31, 2021: $41,000,000). In practice, the actual trading result may differ from this sensitivity analysis and the difference could be material. For additional sensitivity analysis, refer to note 4.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it entered into with KPEF. KPEF limits credit loss by placing its cash and cash equivalents with high quality government and financial institutions. The credit ratings provided by Dominion Bond Rating Service of KPEF's Liquid Investments as at March 31, 2022 and March 31, 2021 are as follows:

	March 31, 2022	**March 31, 2021**
AA	27.7%	61.6%
Not Rated	72.3%	38.4%
Total	100.0%	100.0%

9. Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities. KPEF closely monitors its ongoing ability to meet cash flow commitments associated with financial instruments, such as capital calls. To manage short-term cash flow requirements, KPEF maintains all its assets which are not invested in private equity investments in liquid investments which are readily convertible into cash. Unitholders may redeem Units on an annual redemption date. KPEF reserves sufficient liquid investments to fund its obligations for Units tendered for redemption. Additionally, KPEF maintains a credit facility with a Schedule 1 bank that may be used for working capital and general corporate requirements in the ordinary course of business.

10. Global Pandemic, Russia-Ukraine Conflict, Economic and Market Conditions

KPEF's portfolio and the underlying companies in which it invests are materially affected by financial markets and economic conditions. COVID-19 continues to cause considerable social and economic uncertainties. Even as the global economy transitions to a post-pandemic environment, supply chain disruptions, rising input costs and inflation are dampening the economic recovery. The Russia-Ukraine conflict have added further pressures, including substantial impacts on commodity and energy prices, having far-reaching impacts on economies, contributing to significant volatility in financial markets. Management continues to monitor developments and assess the potential for adverse impact on its business and has considered the uncertainties around the ongoing COVID-19 pandemic and the Russia-Ukraine conflict in preparation of its financial statements. The financial impact going forward will depend on evolving changes in government policy and business and consumer reactions.

The Fund invests over a broad industry and geographic range. This allows the 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 and using similar standards for direct investments and secondary fund investments, the Manager attempts to significantly reduce the risk of poor performance.

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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, 2022. You may obtain a copy of the financial statements and the annual information form at your request, and at no cost, by calling 416-362-9000 or toll free at 1-855-362-9329, by writing us at 95 St. Clair Avenue West, Suite 905, Toronto, Ontario, M4V 1N6, or by visiting our website at www.kcpl.ca. Additional information relating to the Kensington Private Equity Fund is on SEDAR at www.sedar.com.