KENSINGTON PRIVATE EQUITY FUND

Management Discussion and Analysis

FOR THE SIX MONTHS ENDED

September 30, 2022

2022

Management Discussion and Analysis

INTRODUCTION

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.

KENSINGTON PRIVATE EQUITY FUND

RECENT DEVELOPMENTS

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. For the six months ended September 30, 2022, the Net Asset Value (NAV) of KPEF increased by approximately $89 million, consisting of new subscriptions received from investors offset with net unrealized losses. The IRR per Unit was -8.5% for the six months compared to 22.2% the same period last year. It is based on the performance of the Underlying Investments and considering the impact of other cash flows into and out of KPEF.

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

- Resolute Health: Based in Bedford, Nova Scotia, it is Canada's largest privately owned sleep health product and service provider.

- Global Fertility: Based in Southern California, it has medical clinics related to fertility.

- Vetster: Based in Toronto, Ontario, Vetster connects pet owners to veterinarians through video chat appointments.

- The Fund made follow-on investments in Kenona, a high volume precision automotive machining company for the North American automotive sector and GuarantR, a real estate insurance platform for landlords and tenants.

- The Fund received a distribution-in-kind from Walden partnerships of Soundhound AI. Soundhound (NASDAQ: SOUN) is a voice application technology company that went public during the period.

- The Fund made commitments to the following fund managers; Rhino, Knox Lane, Trinity Hunt, One 9, Cambium, Georgian and Garage Capital.

KENSINGTON PRIVATE EQUITY FUND

Overview of the Economic Environment

The new landscape of supply-side disruptions, geopolitical tensions, and surging inflationary pressures paved the way to a significant shift in macroeconomic policy. Globalized trade and capital flows, low interest rates and accommodative fiscal policy is looking more and more a relic of a bygone era. A significant shift in spending from services to goods, coupled with persistent labor shortages, has contributed to the production constraints that are driving prices higher. Fiscal tightening and monetary policy can reduce demand but cannot directly remedy supply side constraints. Central banks are faced with a difficult decision – aggressively fight inflation and risk recession, or sustain growth and endure high inflation. Markets are fluctuating while this trade-off is debated in real time, suggesting more volatility ahead. In Canada, the economy's sizable exposure to the housing sector along with variable rate mortgages is a risk factor. When coupled with rising energy and food costs which also erode purchasing power, we expect a dampening of consumer spending. Our expectation is that inflation and the related interest rate increases will slow down in a year or so. Risks continue to be the European war, and economic policy.

Investment Environment

The asset management industry entered 2022 in a position of strength with robust market appreciation and net flows from the prior year. However, public markets soon experienced significant repricing due to the volatile economic environment. Investors are now navigating through an uncertain market environment with levels of inflation not seen in decades, and central banks which are aggressively tightening monetary policy. The S&P 500 recorded its largest loss in the first half of 2022 since 1970. The equity sell-off may change price expectations among sellers of private companies, but prices tend to come down slowly. Risks remain in the growth space. There may be additional risks of decline as the market more fully discounts the liquidity drain, productivity disruptions and downward earnings revisions. The Nasdaq Composite Index, heavily concentrated in technology stocks, fell as much as 36% from its peak. In particular, while fintech companies saw demand rise strongly through the pandemic, driven by rising e-commerce spending, an accelerated shift toward digital payments and growing interest in cryptocurrencies, the sector has seen sharp declines this year. Canadian equities have been helped by heavy weightings in energy and other resource companies that are benefiting from the high inflation environment. While valuations across public equities have seen declines, private assets are seeing adjustment as well, although not at the same pace, quantum nor uniformity. While different sectors will have varying experiences, companies that lean into technology adoption such as cloud services, artificial intelligence, robotics and more, are poised to seize opportunities as the digitization of traditional firms continues. Furthermore, the ongoing push to a greener economy including decarbonization and increased focus on sustainability is expected to increasingly influence investor behavior. We expect continued volatility in public markets, and price expectations of sellers in the private market to decline slowly. We are treading with caution. The Manager looks for resilient businesses within those sectors capable of passing through price increases to deal with inflation. For example, tech companies and healthcare are positioned to pass on rising costs more readily than labor intensive industries such as retail and hospitality. We look for companies that can invest to adopt technologies to build competitive advantage. Strong local supply chains and distribution networks are increasingly valuable and will grow. The Kensington Private Equity Fund portfolio is well positioned from a defensive perspective. 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.

Current Private Equity Market Conditions

Throughout the year, private markets continue to see a pullback in the pace of growth. Declining values of public market portfolios have considerable impacts on allocations through the denominator effect. The pace of transactions is slowing and giving way to a deeper dive into fundamentals and related longer diligence periods. Heading into the second half of the year, deal pipelines in many sectors are softening, especially in technology as debt is becoming more expensive. After a record-setting 2021 for PE-backed exits, the path to IPOs has halted, leading GPs to look to secondary markets and sales to other financial sponsors or strategic buyers. This may also mean GPs hold onto assets longer, resulting in fewer distributions to limited partners. Furthermore, deals that are completed coming out of recessions tend to deliver strong returns. The Manager continues to follow its investment thesis to partner with strong management teams to build great businesses. The philosophy applies to both funds and to direct investments. The quality of management is the most important factor in both. Under the current environment, those companies well positioned are the ones that demonstrate the ability to handle labor shortages, attract and retain talent, source raw materials and finished goods, and steer through increasing demand for ESG policies. The Manager is prepared to face headwinds and continues to prepare the portfolio for challenging market conditions. We believe that gradually 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 importance with investors. Sustainability is reshaping the world and there is an emerging opportunity for private equity sponsors to respond with thoughtful 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, albeit with dampened pricing driven by uncertainty. 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.

RESULTS OF OPERATIONS

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.

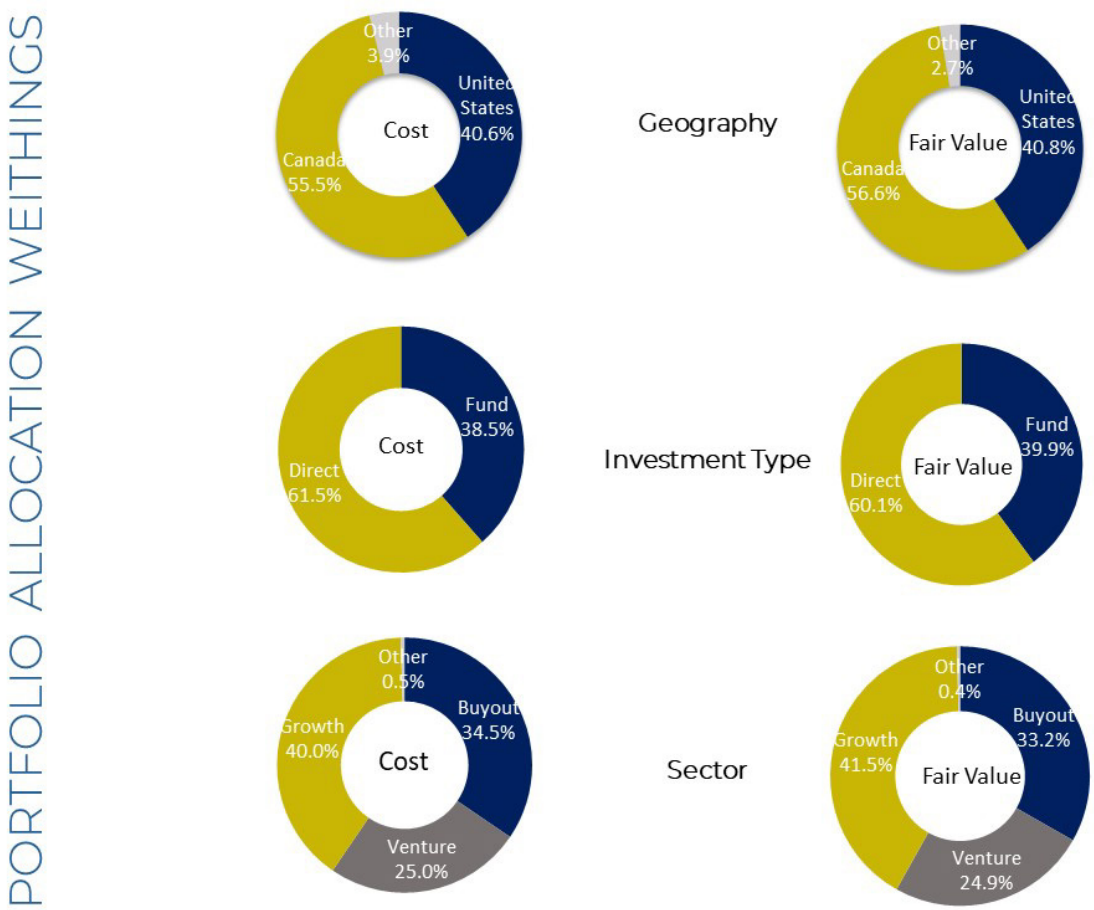
As of September 30, 2022, KPEF held investments in 82 primary funds, 7 secondary fund portfolios, and 70 direct investments. The Manager continues to review private equity investment opportunities on an ongoing basis to achieve KPEF's investment objective.

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.

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.

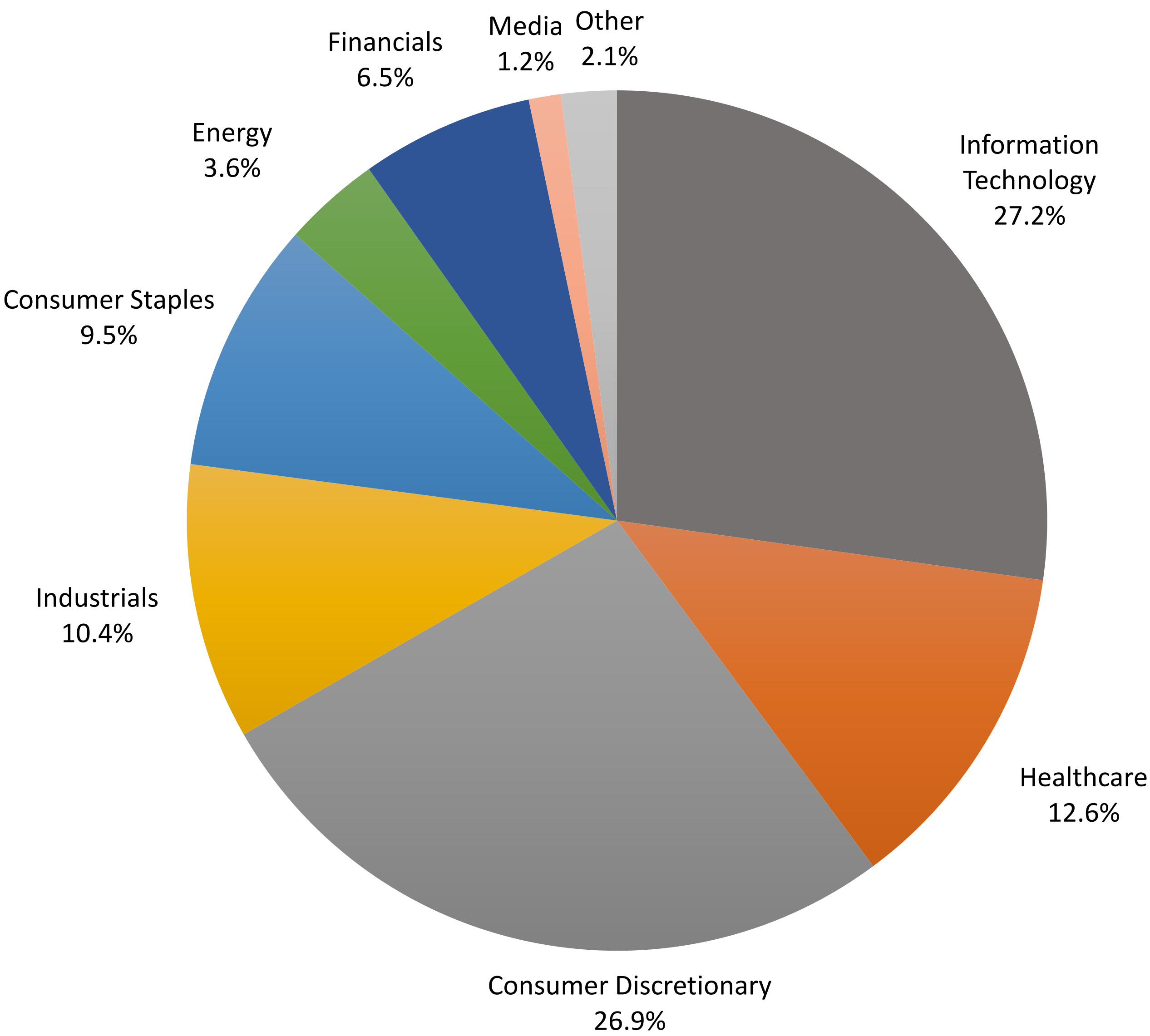
The portfolio allocation weightings as at September 30, 2022 are set out below:



KENSINGTON PRIVATE EQUITY FUND

KPEF Industry Weightings of Private Equity Investments (Fair Value)

In addition to the 70 direct investments in private companies, the KPEF portfolio as of September 30, 2022, 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 below.



KENSINGTON PRIVATE EQUITY FUND

KPEF NET ASSET VALUE

Investments:

As of September 30, 2022 KPEF held investments totaling $1.779 billion. During the six months period, KPEF realized certain private equity investments, resulting in a shift from unrealized gains reported in prior period to realized gains in the current period. Excluding the impact of net new subscriptions of $163 million, the net asset value of the investments decreased by $74 million during the six months due to net decrease in fair value of direct and fund investments. .

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 money market instruments and other securities, consistent with the overall objectives of liquidity, capital preservation and an appropriate return.

As of September 30, 2022, KPEF held Liquid Investments totaling $39 million, representing a decrease of $85 million from the $124 million of Liquid Investments held at September 30, 2021. Liquid Investments comprise 2.2% of the NAV, consistent with the overall objectives of liquidity.

	September 30, 2022			September 30, 2021		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	5,577,652	5,577,652	0.3%	44,663,920	44,663,920	3.4%
Kensington Alternative Strategy Fund *	25,897,509	31,649,484	1.8%	48,547,836	57,930,519	4.4%
GIC Investment	1,500,000	1,609,189	0.1%	21,500,000	21,643,046	1.6%
	32,975,161	**38,836,325**	**2.2%**	**114,711,756**	**124,237,486**	**9.4%**

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

KENSINGTON PRIVATE EQUITY FUND

KPEF UNITS ISSUED AND OUTSTANDING

As of September 30, 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. KPEF's issuances included 132,644 Class A Units, 16,465 Class F Units, 1,195,352 Class E Units, 35,826,359 Class G Units, 1,049,829 Class U Units, 10,712,761 Class C Units and 200,481 Class M Units.

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), KEN 130 (Class C Units) and KEN 135 (Class M Units). Current NAV information is provided directly to investment accounts through Fundata.

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"), which is the reported MER less the amounts expected to be recovered from Underlying Funds as described above.

	For the six-months ended September 30, 2022						
	Class A Units	Class F Units	Class E Units	Class G Units	Class U Units	Class C Units	Class M Units
Net Asset Value ($)	4,765,024	653,888	36,143,810	1,267,985,083	31,906,376	385,261,850	7,188,174
Units Outstanding	132,644	16,465	1,195,532	35,826,359	1,049,829	10,712,761	200,481
Management expense ratio %	3.63%	3.18%	3.90%	2.86%	2.94%	2.15%	1.05%
Unrecoverable management expense ratio %	2.75%	2.30%	3.02%	1.98%	2.05%	1.27%	0.17%

	For the six-months ended September 30, 2021						
	Class A Units	Class F Units	Class E Units	Class G Units	Class U Units	Class C Units	Class M 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%	-

KENSINGTON PRIVATE EQUITY FUND

Selected Financial Data

The following table shows selected key financial information about KPEF, which summarizes the KPEF financial performance for the last four quarters.

	For the quarter ended September 30, 2022						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income	(2,336)	(335)	(17,885)	(656,771)	(913,838)	(213,801)	(3,692)
Total profit/(loss)	(50,316)	(6,132)	(387,167)	(10,309,618)	(1,163,221)	(2,404,603)	(27,633)
Total profit/(loss) attributable per-unit basis	(0.38)	(0.37)	(0.33)	(0.29)	(1.11)	(0.23)	(0.14)
Total net assets	4,765,024	653,888	36,143,810	1,267,985,083	31,906,376	385,261,850	7,188,174
Distributions declared and paid	-	-	-	-	-	-	-

	For the quarter ended June 30, 2022						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income	(136,488)	(18,519)	(993,639)	(34,425,403)	(1,813,461)	(9,409,379)	(199,596)
Total profit/(loss)	(182,266)	(24,017)	(1,364,309)	(44,092,008)	(2,082,201)	(11,472,328)	(221,466)
Total profit/(loss) attributable per-unit basis	(1.36)	(1.46)	(1.18)	(1.28)	(1.99)	(1.24)	(1.12)
Total net assets	4,860,665	660,020	35,195,529	1,240,206,850	33,069,597	354,042,857	7,215,807
Distributions declared and paid	-	-	-	-	-	-	-

	For the quarter ended March 31, 2022						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income	500,278	67,822	3,610,203	122,126,612	2,342,774	31,219,295	714,690
Total profit/(loss)	441,751	60,707	3,135,305	110,067,994	1,994,743	28,706,982	675,588
Total profit/(loss) attributable per-unit basis	3.30	3.69	2.74	3.34	1.92	3.50	3.55
Total net assets	5,043,324	684,090	36,383,223	1,240,279,737	34,809,991	320,630,899	7,313,681
Distributions declared and paid	-	-	-	-	-	-	-

	For the quarter ended December 31, 2021						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income	1,413	158	(11,682)	(248,103)	(960,875)	(331,079)	(94,734)
Total profit/(loss)	(45,436)	(5,269)	(423,589)	(9,528,488)	(1,253,273)	(2,011,653)	(105,601)
Total profit/(loss) attributable per-unit basis	(0.34)	(0.32)	(0.37)	(0.30)	(1.24)	(0.29)	(0.57)
Total net assets	4,656,912	623,329	34,464,391	1,089,534,810	32,119,655	254,300,609	6,262,525
Distributions declared and paid	0.67	0.67	0.67	0.67	0.67	0.67	0.67

RELATED PARTY TRANSACTIONS

The KPEF investment portfolio includes investments in four funds managed by the Manager. KPEF has invested $25,897,509 in Kensington Alternative Strategy Fund, committed $23,850,000 to Kensington Venture Fund, L.P., which will be drawn by that fund over a 13-year period, committed $25,745,857 to Kensington Venture Fund II, LP, which will be drawn by the fund over a 12-year period, and committed $100,000,000 to Kensington Venture Fund III, L.P. In October, the Government of Canada announced the successful applicants to its renewed venture capital investment program, the Venture Capital Catalyst Initiative (VCCI). Kensington was awarded a renewed mandate under the program, leading to the launch of our new Kensington Venture Fund III. The prior noted commitment of $100,000,000 will be adjusted accordingly to reflect the new KPEF commitment of $72,500,000 expected to be finalized in Q4 2022.

As of September 30, 2022, the total amount funded by KPEF into Kensington Venture Fund, L.P., Kensington Venture Fund II, L.P., and Kensington Venture Fund III, L.P., was $21,700,374; $11,585,636 and $8,938,150, 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 28, 2022.

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.

CONTACT

Kensington Capital Partners

95 St.Clair Ave W., Suite 905

Toronto, ON M4V 1N6

1-855-362-9329

www.kcpl.ca

info@kcpl.ca

@KensingtonFunds

This management discussion and analysis of the Kensington Private Equity Fund contains financial highlights as well as the financial statements for the six months ended September 30, 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 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.