KENSINGTON PRIVATE EQUITY FUND

Management Discussion and Analysis

FOR THE SIX MONTHS ENDED September 30, 2023

2023

KENSINGTON PRIVATE EQUITY FUND

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.

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RECENT DEVELOPMENTS

Fund Performance and Investment Activities

KPEF's investment objective is to maximize long-term total returns for Unitholders through 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, 2023, the Net Asset Value (NAV) of KPEF increased by approximately $16 million, consisting of gains in the value of some investments, plus net new subscriptions received from investors offset by reductions in the value of certain other investments. The Net Asset Value (NAV) per Unit decreased by 1.7% for the six months compared to -4.4% the same period last year. It is based on the performance of the Underlying Investments and takes into consideration the impact of other cash flows into and out of KPEF. Investment returns reflect among other things such as the J-curve effect of fund commitments made in any prior 3-year period. Some of KPEF's top performing funds were due for re-investment during the past 3 years. We anticipate continued strong performance from those funds.

During the six months, the fund strengthened its liquidity position with the exit of SoundHound AI, a voice application technology company that went public in 2022 and Ace Beverage Group, the fastest growing ready to drink brand in Canada.

The fund also made several follow-on investments in the period:

- Resolute Health, a company offers a scaled sleep health product and services platform in the home medical devices sector;
- Bold Canine, a Canadian based manufacturer of frozen raw food for dogs and cats;
- Jewlr, an ecommerce retailer that designs and manufactures personalized, made-to-order jewelry;
- Valent Low Carbon Technologies, an energy technology company focused on aggregating and building out net-zero fuels for aviation, marine and heavy land transport; and
- Element5, a company that designs, fabricates, and assembles modern timber buildings.

The fund exited a position in Tomahawk Robotics for a cash and share transaction acquiring shares in AeroVironment Inc. (NASDAQ: AVAV). AeroVironment designs and manufactures unmanned aerial vehicles.

Overview of the Economic Environment

The North American economy has generally remained resilient in the first half of the year supported by a healthy job market and consumer spending. However, the third quarter saw a loss in momentum as oil prices spiked and the financial markets continued to expect further rate increases. The US government's spending has contributed to their stronger GDP along with business spending and investments in buildings and equipment, inventory build-up and hiring. Conversely, north of the border, Canadian consumers and businesses alike curtailed spending as they brace for a period of slow growth. In Canada, household debt is amplified by the sharp rise in interest rates and worries that the real impact is yet to be seen as over 60 percent of outstanding mortgages at the Canadian chartered banks are set to renew over the next two years. Although the recessionary concerns of 2023 did not materialize, the "higher for longer" interest rates outlook has shifted the expectations of a recession to 2024. Globally, a similar story can be told with European economies under pressure and in Asia, China's growing debt and property market problems are undermining consumer confidence. These market forces combined with an ongoing landscape of geopolitical instability including the Russia-Ukraine war and U.S.-China tensions continue to present a level of unpredictability. The escalation of the Israel-Hamas war and fears of a broader regional conflict could add another shock and accelerate a global economic downturn.

Investment Environment

After strong gains in the first half of the year, stock markets posted negative returns in Q3, with the S&P 500 falling by 3.8% in Q3, but still up 12.1% year-to-date. The seven-largest stocks that accounted for much of the gains earlier in the year retreated during the last quarter and when removed from the index, the S&P 500 has gained only 1.8% for the year. Through the course of the year, investors adjusted their projections away from recession and toward a soft-landing scenario of the US economy with a view of a late-cycle investing environment. Consequently, investors are largely on the sideline, redirecting flows into money market funds. This sidelined cash will eventually make its way into the markets. But with GICs yielding over 5%, those investors that are in cash can be patient. The focus is on companies with solid balance sheets and durable business models and the search for attractive valuations. The Nasdaq Composite Index is up over 27% through three quarters of 2023 boosted by the wave of interest in AI and recent developments with ChatGPT have contributed to the gains in the technology sector. AI has been a little understood tool for years with its rapid recent growth coming as a result of breakthroughs in technology. The semiconductor market is anticipated to continue to rise at a considerable rate as the increased consumption of consumer electronics and the emerging usage of AI will accelerate this market. We believe that the tech sector will continue to deliver opportunities for growth and in the current risk-off environment, valuations will be low. The IPO market has seen some activity this year with the semiconductor company Arm being the largest IPO of the year. Others have had varied success and heading into the last quarter of 2023 the market has gone quiet again as bad companies can't go public and good companies don't want to go public in a bad market. Investors remain focused on profitability and cashflows. We expect continued volatility in public markets, and when considering new private market investments, we are treading with caution. The Manager looks for resilient businesses within those sectors capable of passing through price increases to deal with inflation. We look for companies that invest in and 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

Private Equity dealmaking stalled in the third quarter of 2023 with deal values at a six-year low and down 34% by deal count and 54.7% by deal value since Q4 of 2021, according to Pitchbook. Platform deals were hardest hit due to the tightening of credit greatly limiting the ability to execute LBOs. Conversely, add-ons have accounted for nearly eight of every 10 buyout deals as they are less dependent on access to new debt. While Canada has not seen the same capital pressures in the banking system as the US, deal flows have been impacted with lenders pulling back from new originations as well as strong competition among dealmakers for the credit that is available. Private equity strategies have been shifting to a longer investment cycle that increasingly includes continuation funds. These longer hold times for private equity portfolio companies are placing a renewed emphasis on value creation. Skilled active private equity fund managers stand to accelerate ahead of the pack. The slower pace of transactions is giving way to a deeper dive into fundamentals and related longer diligence periods. There is a greater potential for alpha as investors are able to identify top quality assets and negotiate better terms than was the case two years ago, creating a positive direction for the future returns of capital deployed today. Historically, deals that are completed coming out of recessions tend to deliver strong returns. The Secondaries market continues to play a role as a liquidity tool, becoming a more standard exiting or reallocating-capital approach for LPs and a means by which GPs can adjust portfolios to focus on managing high-quality assets. The third quarter also saw among the lowest venture deal value in six years and the lowest deal count in roughly three. VC is in a period of deep revaluation that will require time for both buyers and sellers to agree on appropriate metrics for value. Historically, high-quality companies with a strong talent base and a competitive edge have found success fundraising irrespective of the macro climate. The same holds true for the current environment. On the other hand, mediocre companies that are unable to hit milestones or demonstrate progression toward a path to profitability will encounter major hurdles for future financing events. Many late-stage startups loaded up their balance sheets by raising outsized rounds during the frothy times of 2021 and early 2022, and have subsequently delayed their next fundraises; however, reducing cash burn cannot sustain a business indefinitely. Toward the end of 2023 or early 2024, some of these startups that previously raised at elevated valuation levels will need to return to the market. Valuation priorities have shifted with investors having moved away from an emphasis on revenue growth and revenue multiple emphasis. There is a sharp focus instead on profitability (or a rapid path to it), on positive free cash flow and an emphasis on DCF and comparable-based multiples. 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. The Manager expects to face headwinds and continues to manage the portfolio for challenging market conditions. Private Equity-backed companies that are not over leveraged tend to be resilient during times of crisis because of the depth of capital access that their backers enjoy.

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. ESG is an integral part of our investment process, which includes strong corporate governance, as well as consideration of responsible stewardship of environmental and social capital.

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Summary

The Fund's mature portfolio offers the potential of a continuing flow of distributions from the sale of portfolio companies. There are always companies in the process of being sold. Partly 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 interest in acquisitions among strategic buyers is strong relative to that of financial buyers in today's conditions. 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 diversification required to manage risk, and direct investments to enhance returns. Combined these provide investors with access to different segments of the private equity market through a single investment in KPEF;
- Secondary investments to opportunistically take advantage of market dislocations; 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, 2023, KPEF held investments in 80 primary funds, 6 secondary fund portfolios, 4 funds managed by the Manager and 65 direct investments. The Manager continues to review private equity investment opportunities on an ongoing basis to achieve KPEF's investment objective.

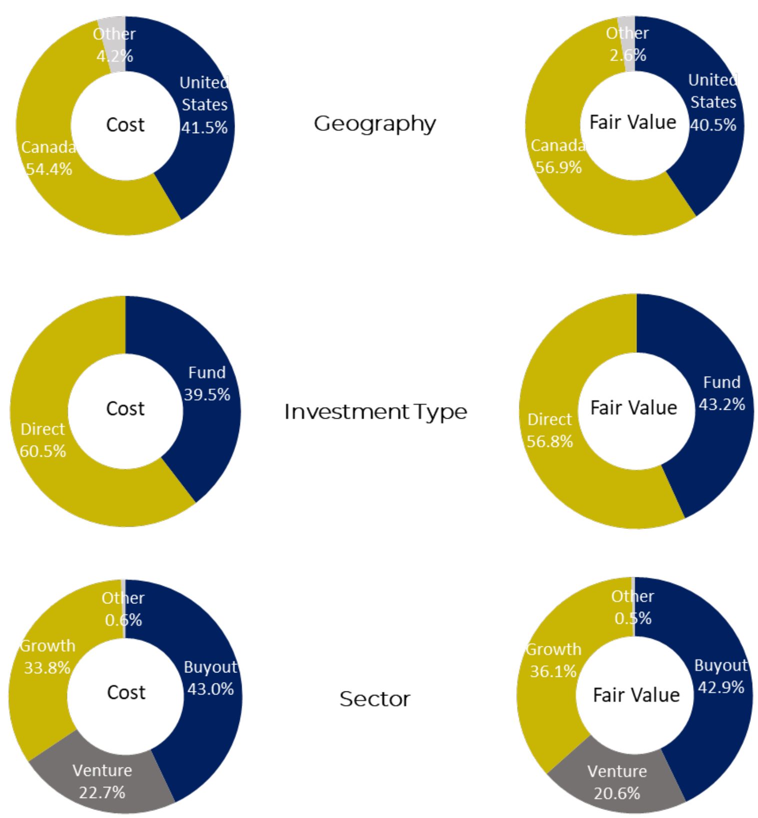
In accordance with the Declaration of Trust governing KPEF, the Manager has the responsibility for establishing target portfolio weighting guidelines by geographic region, investment type and investment sector, with the expectation that the actual weightings will vary over time depending on market conditions 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, 2023 are set out below:

PORTFOLIO ALLOCATION WEITHINGS



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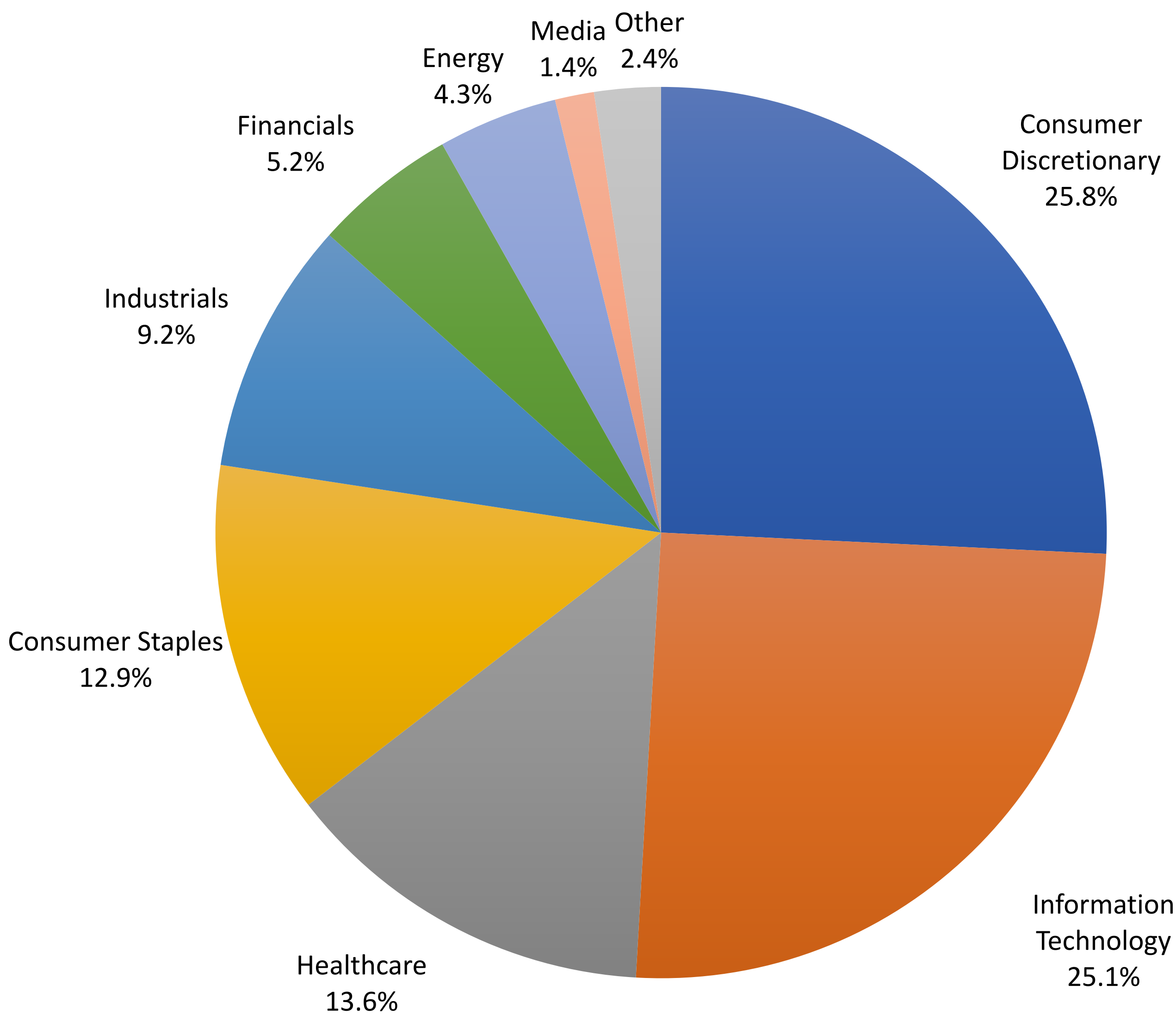
KPEF Industry Weightings of Private Equity Investments (Fair Value)

In addition to the 65 direct investments in private companies, the KPEF portfolio as of September 30, 2023, includes Underlying Investments in indirect investments in private companies through primary and secondary fund portfolios. These companies are diversified across multiple industry sectors, as set out in the chart below.



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KPEF NET ASSET VALUE

Investments:

As of September 30, 2023 KPEF held investments totaling $2.0 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 $133 million (includes $59M from DRIP) and gross distribution of $86M, the net asset value of the investments decreased by $30 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, 2023, KPEF held Liquid Investments totaling $71 million, representing an increase of $32 million from the $39million of Liquid Investments held at September 30, 2022. Liquid Investments comprise 4.1% of the NAV, consistent with the overall objectives of liquidity.

	September 30, 2023			**September 30, 2022**		
	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets	Cost (CAD)	Estimated Fair Value (CAD)	% of Fund's Net Assets
Cash	43,417,203	43,417,203	2.5%	5,577,652	5,577,652	0.3%
Kensington Alternative Strategy Fund *	21,644,421	27,431,304	1.6%	25,897,509	31,649,484	1.8%
GIC Investment	0	0	0.0%	1,500,000	1,609,189	0.1%
	65,061,624	**70,848,507**	**4.1%**	**32,975,161**	**38,836,325**	**2.2%**

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

KPEF UNITS ISSUED AND OUTSTANDING

As of September 30, 2023, 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 127,866 Class A Units, 16,010 Class F Units, 1,208,853 Class E Units, 35,910,649 Class G Units, 725,730 Class U Units, 13,295,659 Class C Units and 324,091 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, 2023						
	Class A Units	Class F Units	Class E Units	Class G Units	Class U Units	Class C Units	Class M Units
Net Asset Value ($)	4,410,082	616,320	34,113,977	1,212,205,364	22,386,443	460,347,377	11,459,414
Units Outstanding	127,866	16,010	1,208,853	35,910,649	725,730	13,295,659	324,091
Management expense ratio %	4.40%	3.93%	4.99%	3.90%	3.96%	3.21%	1.80%
Unrecoverable management expense ratio %	3.26%	2.79%	3.85%	2.76%	2.81%	2.07%	0.66%

	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%

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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 last four quarters.

	For the quarter ended September 30, 2023						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income	71,874	10,038	559,168	19,646,455	141,939	7,391,128	185,904
Total profit /(loss)	14,830	2,695	(49,596)	2,319,621	(195,901)	1,603,810	111,190
Total profit/(loss) attributable per-unit basis	0.12	0.17	(0.04)	0.07	(0.27)	0.12	0.34
Total net assets	4,410,082	616,320	34,113,977	1,212,205,364	22,386,443	460,347,377	11,459,414
Distributions declared and paid	1.80	1.80	1.80	1.80	1.80	1.80	1.80

	For the quarter ended June 30, 2023						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income/(loss)	25,300	3,527	194,356	6,621,485	(253,267)	2,569,330	64,724
Total profit/(loss)	(28,988)	(3,237)	(213,696)	(4,747,559)	(476,342)	(944,372)	508
Total profit/(loss) attributable per-unit basis	(0.23)	(0.20)	(0.18)	(0.14)	(0.66)	(0.07)	0.00
Total net assets	4,395,252	613,625	33,712,185	1,174,291,892	22,582,344	454,460,512	11,323,224
Distributions declared and paid	1.80	1.80	1.80	1.80	1.80	1.80	1.80

	For the quarter ended March 31, 2023						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income/(loss)	265,461	36,678	2,035,023	69,874,903	1,476,323	25,422,346	648,873
Total profit/(loss)	202,801	28,520	1,112,912	43,669,344	967,231	16,761,031	569,903
Total profit/(loss) attributable per-unit basis	1.62	1.80	0.98	1.31	1.41	1.42	2.08
Total net assets	4,625,276	636,547	35,029,272	1,210,525,576	23,427,331	443,348,760	11,654,583
Distributions declared and paid	-	-	-	-	-	-	-

	For the quarter ended December 31, 2022						
	Class A	Class F	Class E	Class G	Class U	Class C	Class M
	$	$	$	$	$	$	$
Total operating income	(20,733)	(2,606)	(140,276)	(4,918,815)	2,607,850	(1,447,281)	(28,418)
Total profit/(loss)	(75,657)	(9,499)	(586,651)	(17,118,346)	2,309,341	(4,521,700)	(64,927)
Total profit/(loss) attributable per-unit basis	(0.58)	(0.58)	(0.48)	(0.47)	2.30	(0.41)	(0.32)
Total net assets	4,557,470	644,389	36,204,086	1,277,876,996	32,828,390	401,915,113	7,123,247
Distributions declared and paid	-	-	-	-	-	-	-

RELATED PARTY TRANSACTIONS

The KPEF investment portfolio includes investments in four funds managed by the Manager. KPEF has invested $21,644,421 in Kensington Alternative Strategy Fund, committed $24,850,000 to Kensington Venture Fund, L.P., which will be drawn by that fund over a 13-year period and committed $25,745,857 to Kensington Venture Fund II, LP, which will be drawn by the fund over a 12-year period. In October 2022, 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. KPEF's commitment is $72,500,000.

As of September 30, 2023, the total amount funded by KPEF into Kensington Venture Fund, L.P. and Kensington Venture Fund II, L.P. was $17,878,381 and $15,447,514, 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 29, 2023.

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 six months ended September 30, 2023. 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.