



# StepStone Academy Implementation

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An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein or in relevant disclosure documents associated with potential investments.

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All data is as of December 31, 2024 unless otherwise noted.

**Bob Long**  
Partner & CEO,  
StepStone Private Wealth







# Review of private markets

# Private vs. public markets

	Private Markets	Public Markets
Due Diligence	Access to Proprietary information	Access to public filings
Portfolio company capital structure	Optimized for particular company and situation	Subject to public market norms, which can change based on prevailing sentiment
Control of investment	Typically, full control or significant influence; hands-on, activist investing, heavy board involvement	Proxy voting
Investor value-added capabilities	Access to resources such as capital markets expertise, industry contracts, senior management recruiting and growth capital	Typically, passive investing, although larger institutional shareholders can exert influence
Time horizon	Commitment to long-term value creation, no public market pressure	Short-term pressure to meet quarterly earnings can compromise long-term goals
Exit options	IPO, M&A, dividend, recapitalization, secondary (fund-to-fund) transactions	Sell at market

# Accessing the private markets

Private markets comprised of five asset types accessed via three general investment strategies

## Investment strategies

### 1. Fund investing (primaries)

Capital committed to a new fund, typically as limited partner, during the period it is fundraising

### 2. Co-investment

Capital invested directly- outside of a fund- in a specific asset or group of assets alongside another private market manager

### 3. Secondaries

Purchase of existing assets from current investors, often at a discount to fair value

## Asset types

### Private equity

Large vs. small buyout, specific geographies, etc.

### Venture capital

Early stage, later stage, growth equity, etc.

### Private debt

Direct lending, specialty credit, etc.

### Real estate

Core, core plus, value-add, opportunistic, etc.

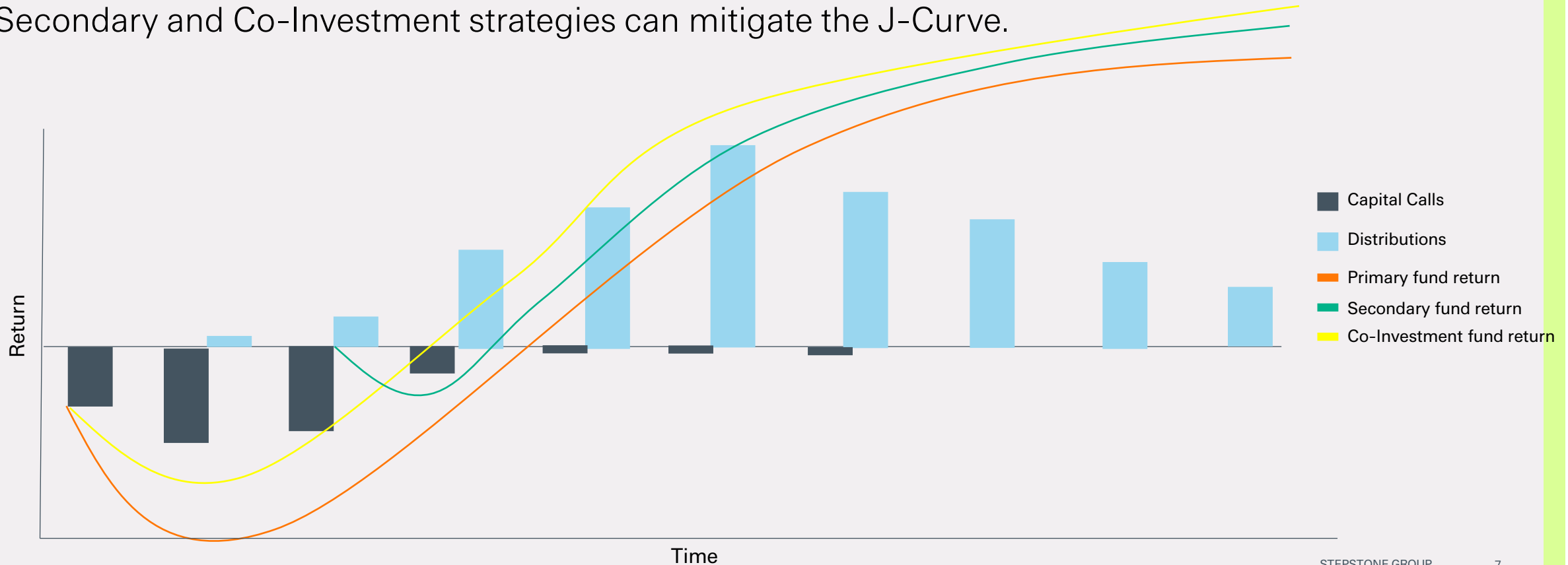
### Infrastructure

Essential services (airports, toll roads), natural resources, etc.

# Private markets investment cycle

Investment cycle cash flows typically follow the “J-Curve”, with LP capital called over the first 3-6 years of the fund life.

Secondary and Co-Investment strategies can mitigate the J-Curve.

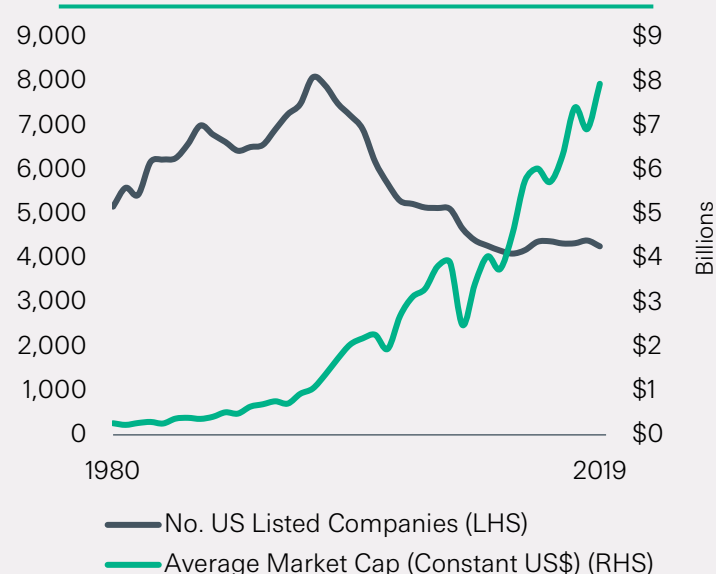


Note: For illustrative purposes only

# Critical diversifier to public equity exposure

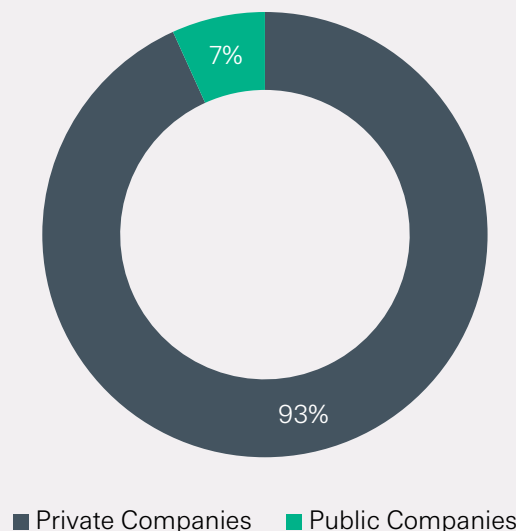
During the last 40 years, public equity markets have provided less and less exposure to small cap businesses. Moreover, private market exposure is increasingly skewing towards mid/large caps

Historical trend of US listed companies vs. avg. market cap



Public equity investment options more **limited**, skew towards **larger** companies

Current blend of US private vs. public companies<sup>2</sup>



**13x** more private than public companies

Buyout capital flows relative to investable universe of companies

Tranche	Capital raise	# of private companies	Capital ratio
Large	\$726B	951	0.763x
Middle	\$326B	18,144	0.018x
Small	\$321B	120,764	0.003x

Capital ratio **strongly favors** the small market

1. Jay R. Ritter. January 2023. Initial Public Offerings: Updated Statistics. <https://site.warrington.ufl.edu/ritter/files/IPO-Statistics.pdf>

2. Capital IQ (September 2023). Note: 93% represents private US companies with >\$50M in revenue

3. Fundraising statistics sourced from Pitchbook for U.S. buyout funds raised from 2018 through 2022. Company statistics sourced from Capital IQ based on U.S. based operating companies for US Private Companies as of September 30, 2023. Small is defined as companies whose revenue is \$10M–100M; middle as \$100M–2B; and large as >\$2B.



# Fewer opportunities for public market value capture

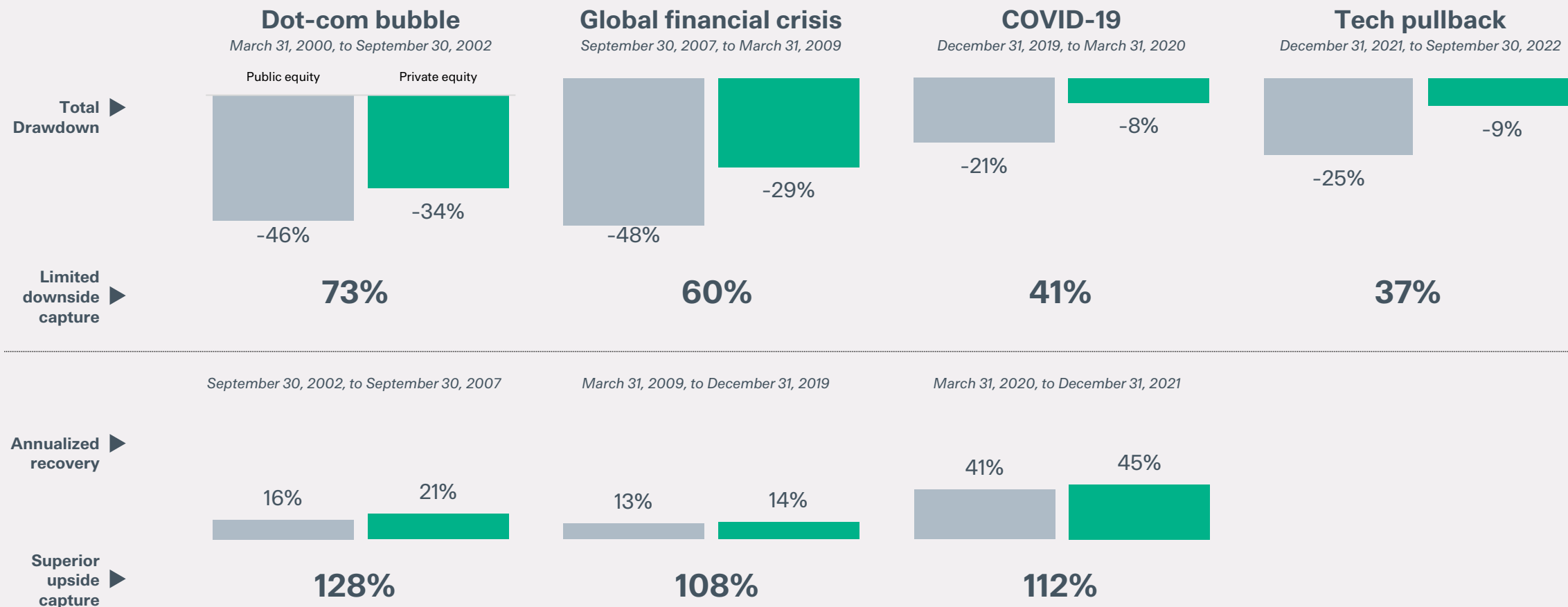


Time to liquidity (years)	Post-IPO valuation	Current valuation (\$M)	Public multiple	Revenue at IPO (\$M)
1.4	\$430	\$1,905,765	4,432.0x	\$31
5.2	\$23,053	\$2,188,803	94.9x	\$28
1.2	\$715	\$26,580	37.2x	\$38
7.8	\$19,973	\$14,807	0.7x	\$823
11.1	\$40,626	\$90,598	2.2x	\$859
8.2	\$33,203	\$53,110	1.6x	\$592

As of 5/20/24

For illustrative purposes only and does not reflect actual performance experienced by an investor. Not intended to represent or predict future portfolio investments. Source: Pitchbook, Thomson Reuters. Past performance is not indicative of future results. **Time to Liquidity:** The amount of time between the inception (or founding) of a company and a key liquidity event such as an IPO, or M&A event. **Post-IPO Valuation:** The market capitalization of the company immediately following an IPO. **Current Valuation:** The current market capitalization of a company. **Public Return:** The theoretical Gross TVPI (total value / paid-in) multiple associated with the investment horizon spanning from IPO to present day. **Revenue at IPO:** The annual revenue of the company in the year in which they held their IPO.

# Outperformance driven by asymmetric risk capture

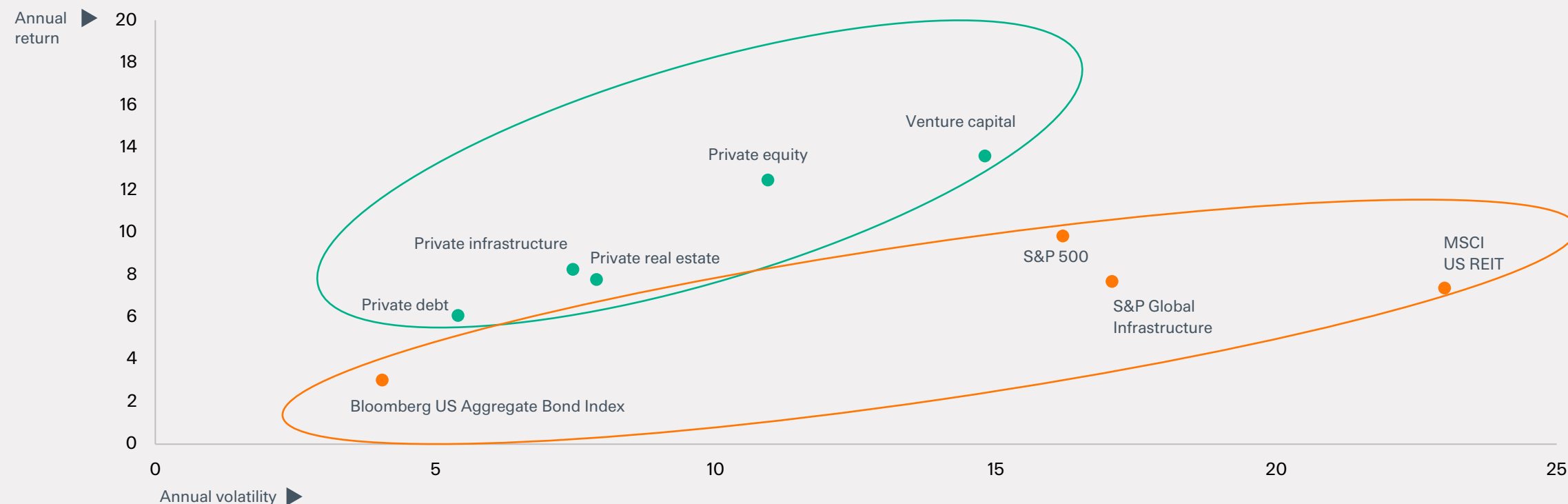


SOURCE: CapIQ as of May 2024, StepStone portfolio analytics and reporting as of December 31, 2023. Public equity performance represents the average of the S&P 500 and the MSCI World indices. Private equity performance represents the average of StepStone's portfolio and analytics reporting database and Burgiss. Total drawdown is defined as the maximum drawdown between the peak and trough during a crisis. Annualized recovery is the annualized return between the trough of the previous crisis and the peak of the next crisis.

# Private markets beat public equivalents on return and risk

For nearly the last 20 years, private markets have outperformed public market equivalents, delivering higher returns at lower levels of risk across asset classes

## ANNUAL RETURN VS. ANNUAL VOLATILITY



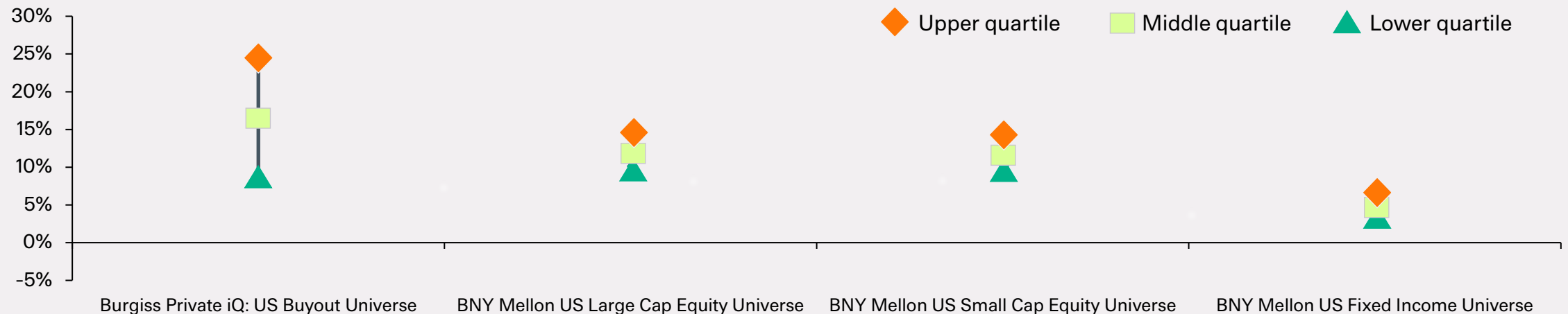
SOURCE: StepStone and Bloomberg, based on quarterly returns from September 30, 2004, to June 30, 2023. The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

# Access and selection are crucial to performance

While potentially rewarding, venture capital funds exhibit the widest performance disparity of any asset class, stressing the need for access and meaningful allocation to promising managers.

## Return dispersion

15 year return - quartile analysis (1981-2018 vintage years)



Information is subject to change and is not a guarantee of future results.

Burgiss indexes reflect private equity internal rates of return (IRR) while BNY indexes reflect public equity time weighted returns (TWR). There are material differences between IRR and TWR. IRR is the discount rate that equates the cost of an investment with the cash generated by that investment. TWR is the return produced over time by a fund independent of contributions or withdrawals. While IRR accounts for the timing and magnitude of fund cash flows, TWR eliminates the impact of the timing of fund cash flows and isolates the portion of a portfolio's return that is attributable solely to the manager's actions.

Source: Burgiss as of March 31, 2024 /Most Recent Available Data for US Funds with vintages from 1981 – 2018. More recent fund vintages are not included above, as they are not in the mature stage of their investment cycle, and their returns would not be meaningful for this analysis. Funds report unaudited quarterly data to The Burgiss Group when creating the Burgiss Manager Universe. **The data is not transparent and cannot be independently verified. The Burgiss Group universe gets compiled four times a year to reflect the best data available. As part of that process, new data is added and transaction history is updated through the latest available quarter, the historical performance of the index is not fixed, cannot be replicated and will differ over time from the data presented in this communication. Burgiss' data universe captures only funds that have self-reported to the data vendor which may not be representative of the entire private equity universe and cause results to be skewed toward funds that have higher performance.**

US Large Cap Equity, US Small Cap Equity and US Fixed Income returns are sourced from BNY Mellon as of March 31, 2024. Please refer to slide 30 for a complete list of definitions for each index.

StepStone believes that comparisons to public market indices provide useful information to investors. However, investors should be aware of the limitations for such illustrations which provide only one approach to comparison of returns. Prospective investors should consider comparisons to other indices & benchmarks. Indices are provided for illustrative purposes only.

Private equity index returns do not represent Fund performance. Fund will not have exposure to many funds comprising the index.



# How institutions implement

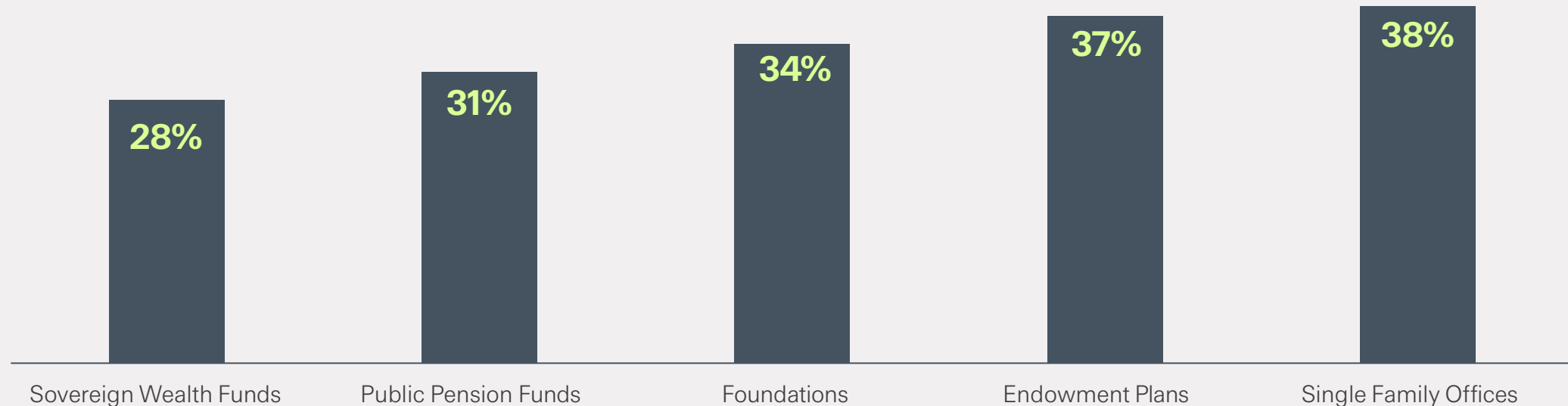
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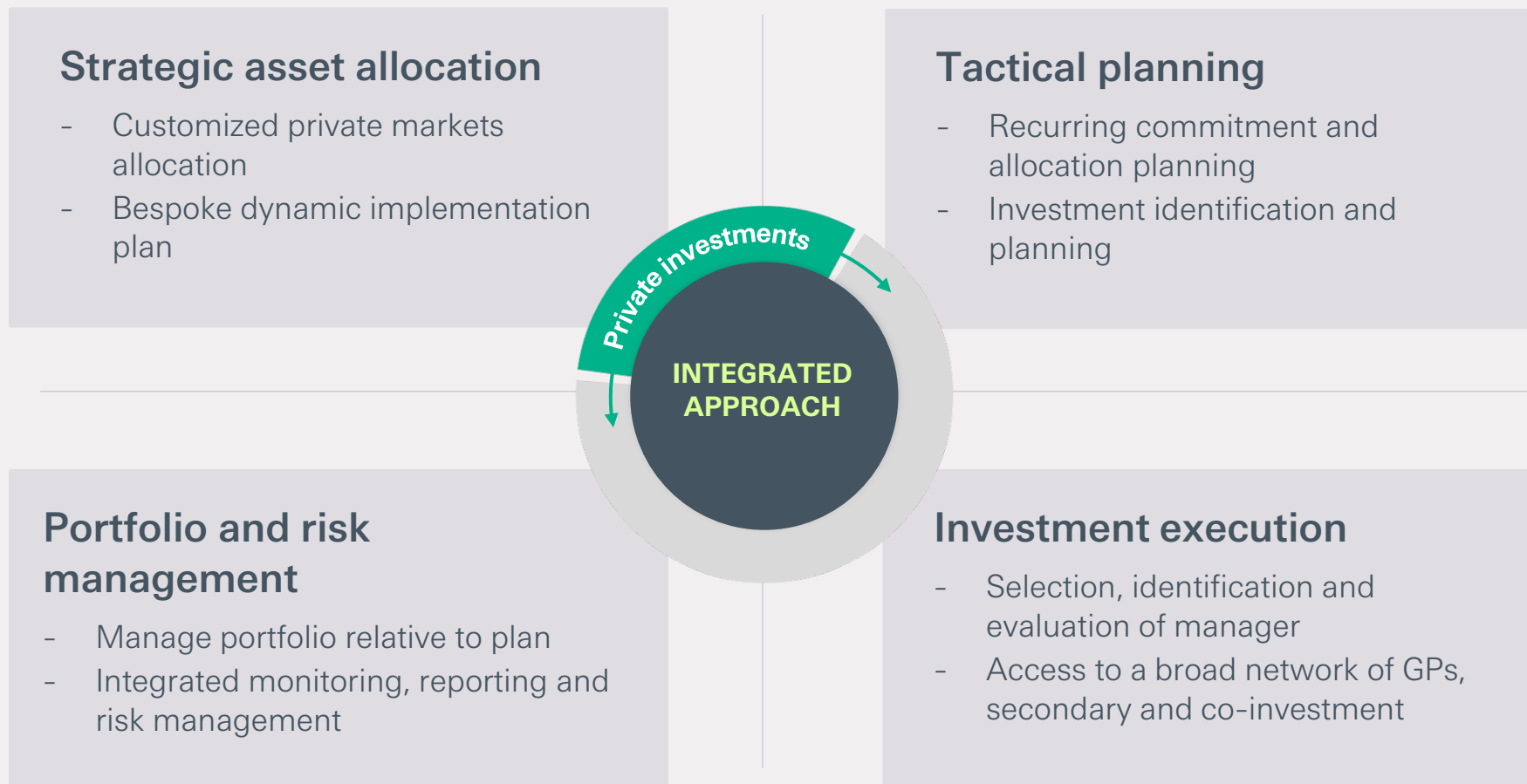
# How are sophisticated institutions investing?

Institutional investors maintain significant private market allocations.

## Current target allocation to private market alternatives



# Private markets program implementation



# Portfolio construction

Full program reviewed annually, market conditions reviewed semi-annually and as commitments are made



A low-angle, upward-looking photograph of a modern building's glass facade. The image shows a complex network of dark metal frames holding large glass panels. The perspective creates a sense of height and architectural scale. The sky is visible in the background, appearing as a pale blue. A semi-transparent dark grey rectangle is overlaid on the right side of the image, containing the title text. A solid light green horizontal bar is positioned below the text area.

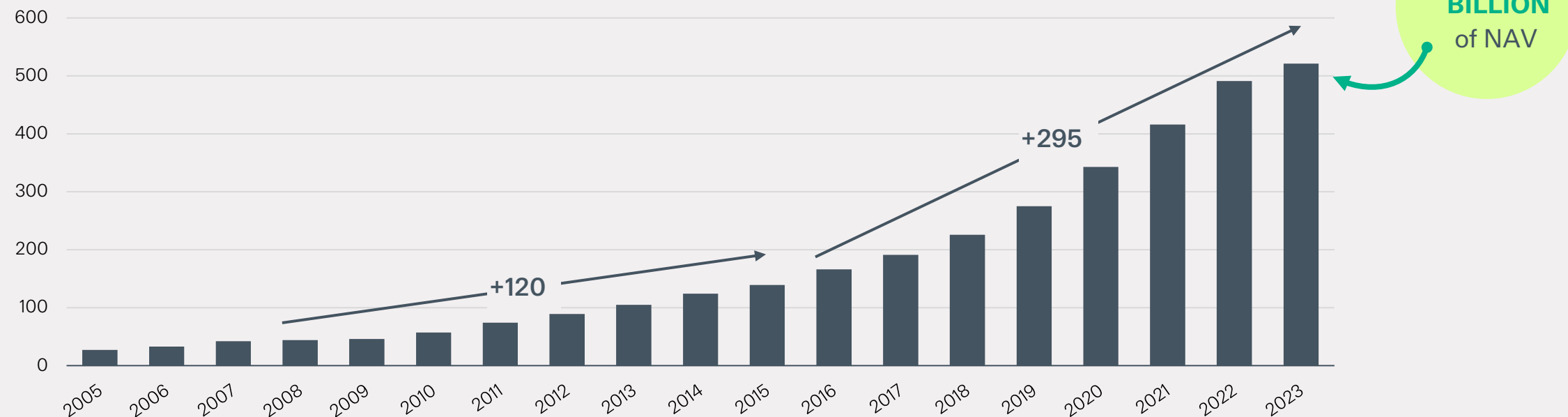
# Evergreen funds as a potential solution

# Evergreen funds landscape

Evergreen funds seek to deliver an illiquidity premium and potential diversification benefits of private assets in a convenient, efficient and transparent product that offers quarterly redemptions at 100% of NAV<sup>1</sup>

## Evergreen fund growth over time

(Total number of funds)



Source: Preqin

1. Evergreen funds may not be obligated to redeem any shares, and approval is at the discretion of the fund's board. The share redemption plan may be subject to other limitations, and may be modified, suspended or terminated.

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# What is an evergreen private market fund?

A hybrid with elements of a mutual fund and a traditional private markets fund.

## Features:

- Continuously offered, accepting capital inflows or “subscriptions” daily or monthly at the current net asset value
- All of an investor’s capital is funded upfront, with no ongoing capital calls
- All taxable gains distributed annually, with option to reinvest distributions
- Liquidity provided quarterly at 100% of current net asset value (no discount) for a portion of the fund, typically 5%
- Mutual fund governance - SEC registration and ongoing reporting, majority independent board, legal limitations on affiliate transactions, etc.
- Current net asset value reported daily or monthly, the same frequency as the inflows
- 1099 tax reporting
- Eligible for IRAs and other qualified accounts
- A permanent capital vehicle like a mutual fund- no fixed termination date

# Drawdown and Evergreen funds side by side

FEATURES	DRAWDOWN FUNDS	EVERGREEN FUND
<b>IRR</b>	Potential outperformance due to efficient capital utilization	Affected by liquidity buffer
<b>MOCC</b>	Affected by capital deployment over time	Enhanced owing to immediate exposure
<b>Capital deployment</b>	Capital calls over 2–5 years (depending on asset class)	Subscription fully ramped on day one
<b>Portfolio disclosure</b>	Flexibility to share more information with investors but less standardized	Fewer details and less flexibility to share information but in a more prompt, standardized format
<b>Asset &amp; liability mismatch</b>	Asset and liability durations are well aligned	Redemptions necessitate a liquidity buffer
<b>Liquidity</b>	Illiquid	Semi-liquid
<b>Investment size</b>	Starting from ~\$1,000,000	Starting from ~\$10,000
<b>Valuations</b>	Quarterly	Daily or monthly
<b>Regulations &amp; structures</b>	Enhanced flexibility of regulation and structures	More standardized
<b>Suitability</b>	Qualified Purchaser	Accredited Investor/Qualified Client

Source: StepStone as of August 2024

# Evergreen funds benefit from keeping capital at work

The landscape of private market investing has evolved, giving rise to innovative structures such as evergreen funds, which provide a suitable alternative to the traditional closed-end fund model

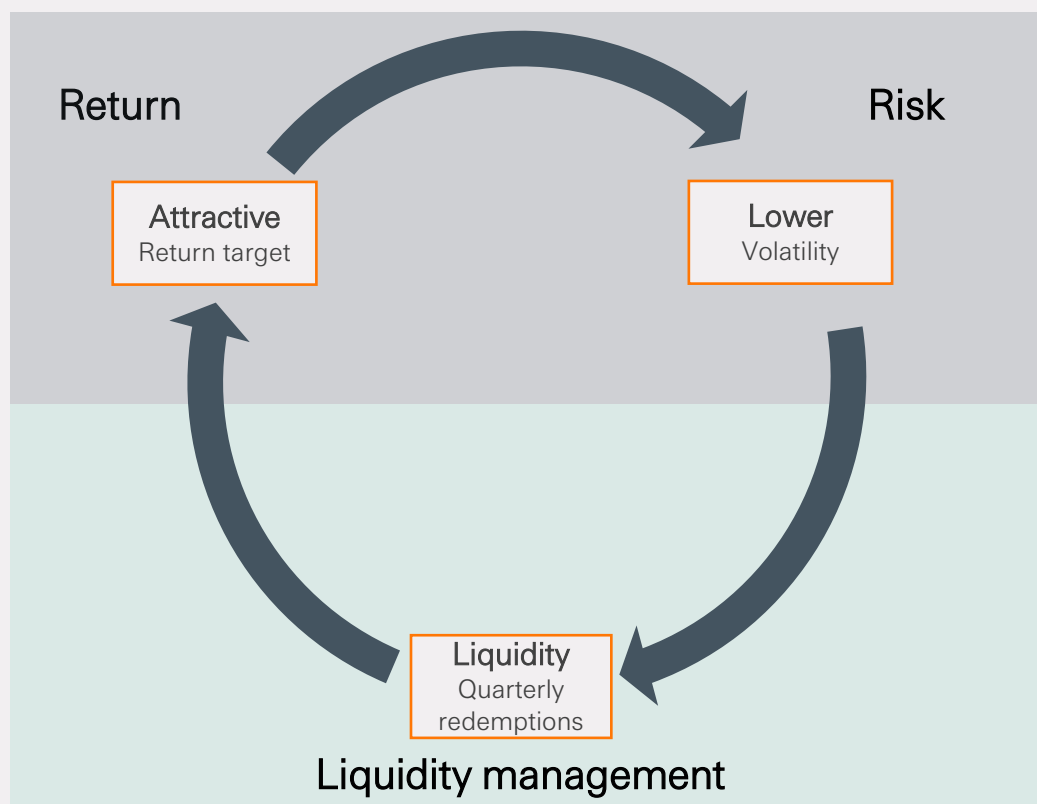
Evergreen strategy vs. traditional closed-end drawdown PE fund average annual returns								
Investment Multiple (MOCC)	2.2x	2.4x	2.7x	2.9x	3.2x	3.4x	3.7x	4.1X
Evergreen strategy	8%	9%	10%	11%	12%	13%	14%	15%
Traditional closed-end fund <sup>1</sup> (uncalled capital in SOFR)	15%	17%	20%	21%	24%	25%	27%	29%
Traditional closed-end fund <sup>2</sup> (uncalled capital in MSCI World)	8%	10%	14%	16%	18%	20%	22%	25%

***An evergreen strategy's return is equivalent to a higher closed-end fund return***

The projections shown above are subject to inherent limitations including the projection of market and economic risks. There is no guarantee that StepStone will achieve favorable investment results or will be able to make the types of investments needed to achieve these returns. For additional information regarding the Fund's risks, please see Important Notes at the beginning of this presentation as well as the Fund's prospectus. For illustration purposes only. Not intended to represent any specific fund or investment. Instead, this is meant to demonstrate the potential benefit of investing in an evergreen fund as opposed to investing in a closed-end fund over a three-year period using a drawdown schedule with a return of capital over time. This shows a given evergreen fund's return compared to the required equivalent return on a traditional closed-end private equity buyout fund to reach the same dollar-on-dollar multiple. Please see slide 30 for full model assumption notes. 1. Secured Overnight Financing Rate "SOFR" Assumption: Undrawn capital and distributions over the life of the fund are invested in a 1-month SOFR. Source: Chatham Financials as of August 2024 for SOFR future yield. 2. MSCI World Index Assumption: Undrawn capital over the life of the fund is invested in the annualized return for the MSCI World Index, which has had an annualized gross return of 8.01% since December 31, 1987.

# Evergreen fund portfolio construction

Evergreen fund portfolio construction generally seeks to achieve an attractive net return<sup>1</sup>, while providing liquidity and minimizing volatility for investors



**Allocation targets** for private market asset classes are developed to optimize the **risk, return** and **correlation** of the portfolios

**Portfolio composition** including secondaries, co-investments and primaries refers to how those allocation targets are achieved

Existing and new investments are dynamically evaluated to assess the blended risk, return, and liquidity profile

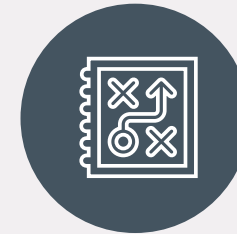
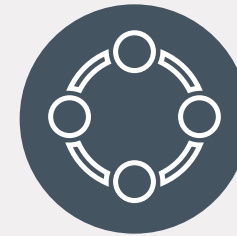
There can be no assurance that any fund or strategy will achieve its objective or avoid losses. Your capital is at risk.

1. Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such targets will be achieved or that the Funds will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses.

# Evaluating an evergreen private market fund

Key Factors: Convenience, Efficiency and Transparency

- Investment Strategy
- Manager's competitive advantage
- Subscription process- paperwork vs. ticker
- Liquidity / Redemption policy
- Fees and Expenses
- Reporting
- Allocation of investments





# StepStone Academy Next Steps



# StepStone Private Wealth US Sales Team

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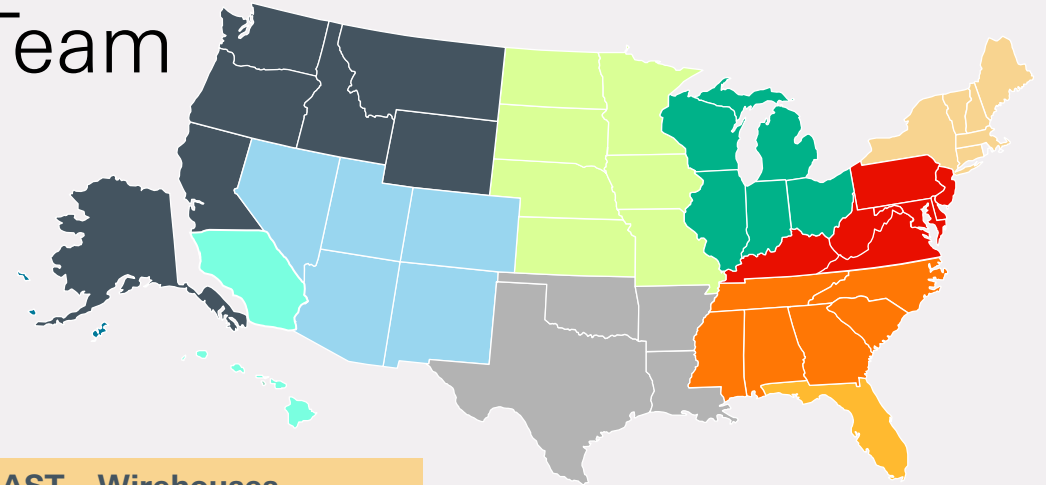
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# Thanks for joining!

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## RISKS AND OTHER CONSIDERATIONS

**Risks Associated with Investments.** Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

**Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered.** The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

**Limited Diversification of Investments.** The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

**Reliance on Third Parties.** StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

**Reliance on Managers.** The investment will be highly dependent on the capabilities of the managers.

**Risk Associated with Portfolio Companies.** The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

**Uncertainty Due to Public Health Crisis.** A public health crisis, such as the recent outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact StepStone and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, have the ability to adversely impact the businesses of StepStone's investments. In addition, such disruptions can negatively impact the ability of StepStone's personnel to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of COVID-19 has contributed to, and could continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect StepStone's ability to raise funds, find financing or identify potential purchasers of its investments, all of which could have material and adverse impact on StepStone's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to StepStone's performance.

**Taxation.** An investment involves numerous tax risks. Please consult with your independent tax advisor.

**Conflicts of Interest.** Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

**Allocation of Investment Opportunities.** StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate

accounts, these accounts may be in competition for investment opportunities.

**Existing Relationships.** StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

**Carried Interest.** In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

**Other Activities.** Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

**Material, Non-Public Information.** From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

**ESG Integration.** While StepStone seeks to integrate certain ESG factors into its investment process and firm operations, there is no guarantee that StepStone's ESG strategy will be successfully implemented or that any investments or operations will have a positive ESG impact. Applying ESG factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by StepStone to formulate decisions regarding ESG, or StepStone's judgment regarding the same, will be reflected in the beliefs or values of any particular client or investor. There are significant differences in interpretation of what constitutes positive ESG impact and those interpretations are rapidly changing. The description of ESG integration herein is provided to illustrate StepStone's intended approach to investing and firm operations; however, there is no guarantee that the processes will be followed in every circumstance or at all.

**Performance Information.** No investment decisions may be made in reliance on this document. In considering performance information herein, readers should bear in mind that past performance is not necessarily indicative of future results and that actual results may vary. There can be no assurance that any StepStone fund will be able to successfully implement its investment strategy or avoid losses. Performance shown herein may include investments across different StepStone funds. The aggregate returns are not indicative of the returns an individual investor would receive from these investments. No individual investor received such aggregate returns as the investments were made across multiple funds and accounts over multiple years.

**Assumptions.** Evergreen: Modeled using average PE buyout fund parameters within the StepStone Pacing model. Assumes all capital is deployed and fully invested on day one. Distributions received at the time of redeeming shares. 10 year hold period.

Closed-Ended: Modeled using average PE buyout parameters within the StepStone Pacing model. Fund life and cash flow follow a typical closed-ended PE buyout fund. The StepStone Pacing model averages 150k+ private market transactions to accurately determine the timing and amount of capital calls and distributions for the average PE buyout fund investment (i.e., capital is called and deployed over three-year period and not fully invested on day one). 10 year fund life. Distributions over the life of the fund invested in the evergreen model. Closed-Ended Distribution Assumption: Distributions over the life of the closed-ended fund are invested in the evergreen model.

IRR Assumption: IRR is assumed to be the same for the closed-ended and evergreen models.





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