STEPSTONE

Private Equity Annual Investment Plan

Prepared at the specific request of:

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

NOVEMBER 2024

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All data is as of June 2024, unless noted otherwise.

StepStone Atlantic Fund was formed by StepStone Group (“StepStone”) with San Diego City Employees’ Retirement System (“SDCERS” or the “System”) to construct a private equity and infrastructure Investment Program (“Program”), that includes primary fund commitments, co-investments, and secondary transactions with the goal of maximizing long-term, risk-adjusted returns.

Highlights of the FY 2025 program

1

Ramping investment pace

StepStone's proposed private equity commitment pace for FY 2025 is above the historical long-term average given net distributions are projected to reduce PE exposure below the long-term target

2

Anticipating exposure declines

The private equity program is projected to fall from 5.6% to 4.3% of exposure during FY 2025 based on incoming distributions from the portfolio and a slower commitment pace over the last two fiscal years

3

Increased focus on lower risk buyout investments

StepStone will seek to balance the existing portfolio's higher VC/growth equity exposure with increased new commitments to lower risk buyout investments

Overview of program policies – private markets

SDCERS created the Private Markets Program Policy Document (the "Policy") in order to establish parameters by which the System may invest through its Private Markets Program. The Program consists of allocations to private equity and infrastructure.

Program objectives

Risk/return

Increase the risk-adjusted returns of the overall portfolio

Diversification

Increase the diversification of the total System assets

Illiquidity premium

Take advantage of the illiquidity premium of these asset classes, given the System's long-term nature of its liabilities

Overview of program policies – private markets

General program policies

Private market investments

Invest in private equity and infrastructure assets and strategies globally

Diversifies SDCERS portfolio from other public equities or other alternative investments

Discretionary authority

The Program will use discretionary advisors that shall acquire and manage private equity and infrastructure investment on behalf of SDCERS

The Board controls the delegation of discretion; however, the advisors can perform due diligence and selection to minimize risk

Risk minimization

Minimize Asset Class risk by diversification and having a high threshold of minimum requirements for investment managers

Minimize Program risk by planning, implementing, and monitoring through the combined efforts of the SDCERS Board, Staff, and StepStone

Ethical standards

SDCERS Board, Staff, and StepStone will strive for transparency in all activities while preserving confidentiality of trade secrets

Avoid all conflicts of interests that may arise

Overview of program policies – private equity

Performance benchmarks

Primary benchmark

Private market benchmark based on Burgiss Private iQ Database that compares private equity investments with similar strategy, geography, and vintages

Median of Burgiss Private iQ Database

Secondary benchmark

Public market equivalent calculation based on a theoretical benchmark plus a premium to measure the estimated opportunity cost of the decision to invest in private equity

MSCI All Country World Investable Market Index + 300 bps

The referenced indices 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.

Public market equivalent calculation based on PME+ methodology, which uses a fixed scaling factor to modify contributions and distributions but uses same final period remaining value for IRR calculation.

Summary of investment plan – private equity

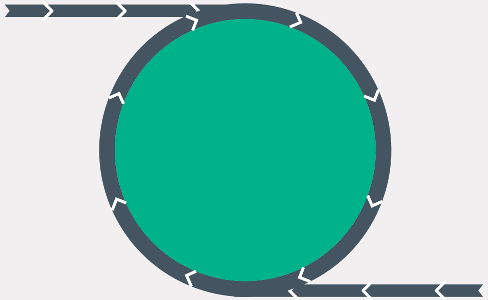
The Investment Plan is a document for SDCERS Board approval that provides guidance as to the management, operations, and investments of the Program. The key components are as follows:

Investment strategy

Manager selection is the primary driver of outperformance in private markets

Target funds that operate in areas of the private market that are poised to outperform

Invest globally, focusing on a broad range of sectors and strategies



Risk management

Manage risk through in-depth due diligence, portfolio construction techniques and active portfolio monitoring

Emphasize investments that offer superior transparency and limited conflicts of interest

Diversify by sector, strategy and geography

Actively monitor concentration by portfolio company, industry sector, fund manager and vintage year

Portfolio pacing

Target annual commitments ranging from $50 to $150 million

Provide updated portfolio pacing analysis annually

Concentrate commitments in highest conviction opportunities while maintaining flexibility to pursue smaller investments opportunistically

Market trends – private equity

BUYOUTS

- During H1 2024, Buyout fundraising volume has been improving and totaled $233 billion across 169 funds
- Private equity distribution activity through June 2024 continues to be light, although the market is showing signs of promise and intermediaries, buyers, and sellers point to the potential for a more active H2 2024
- Buyout valuations had a modest reset in 2023 and Q1 2024 as EBITDA purchase price multiples have declined by 11% since the peak. Premium industries, such as IT and healthcare, continue to maintain strong multiples
- We find the Small and Middle Buyout market to be attractive given strong distributions, consistent dry powder, and more exit avenues to larger funds upmarket

VENTURE CAPITAL
GROWTH EQUITY

- During H1 2024, Venture Capital fundraising totaled $98 billion across 574 funds, with continued challenges from overallocation, valuation resets, and lack of distributions
- Dry powder is at its peak on an absolute basis, at $550 billion in H1 2024, but is relatively consistent as a percentage of NAV
- The valuation environment for venture capital has declined and in Q1 2024, approximately half of Venture Capital investments were exited below the prior quarter's holding valuation
- Liquidity has been more available for profitable growth equity assets as PE sponsors have increasingly sought higher growth, recurring revenue companies for new platforms

SECONDARIES

- Global secondary volume totaled $72 billion in H1 2024, an increase of 73% year-over-year and setting a new high for H1 secondary volume on record
- GP-led transactions represent 43% of the market in H1 2024 as interest rates remain high and M&A/IPOs are subdued
- Desire for liquidity and a narrowing bid-ask spread drove LP-led transactions, which represent 57% of the market in H1 2024
- Secondary dry powder continues to rise at a 14% CAGR from 2013-2023, at $189 billion as of H1 2024

Source: Preqin, StepStone, as of June 2024. Evercore H1 2024 Secondary Market Survey.

Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses.

Unless otherwise indicated, all underlying investment attribution and performance information presented is net of fees and expenses charged by the underlying investment, but gross of StepStone vehicle/account fees and expenses. Where indicated, net return figures presented for StepStone vehicle/account performance include fees and expenses paid to StepStone.

FY 2024 program update – private equity

StepStone and SDCERS continue to build out the portfolio at a measured pace according to the Investment Plan objectives. Below is a summary of the progress since the last annual review.

Investment pace	Relative to the plan of $100 million of target private equity commitments for FY 2024, StepStone and SDCERS completed two private equity commitments and one follow-on representing $15.7 million Given the Portfolio's overallocation to private equity, limited commitments were made in FY 2024
Opportunistic approach with j-curve mitigating strategies	StepStone remains focused on allocating to j-curve mitigating opportunities such as secondaries and co-investments alongside traditional primaries Since inception, the Program has not experienced a j-curve effect
Focus on buyout opportunities in resilient sectors	StepStone recommends focus on resilient sectors of the economy, such as healthcare and technology, which have generally delivered better private equity returns through historical market cycles

Overview of pacing options – private equity

StepStone has revised SDCERS' pacing model to reflect activity over the last 12 months in the Program and the overall SDCERS portfolio. Three scenarios have been modeled below.

$100 million

Assumes **$100 million** of private equity commitments in FYs 2025-2029

Exposure falls to **4.3%** of SDCERS' plan size in FY 2025 and declines to **3.3%** by FY 2029

Net cash flow **positive** with projected distributions outpacing projected contributions, resulting in a self-funded portfolio

$80 million

Assumes **$80 million** of private equity commitments in FYs 2025-2029

Exposure falls to **4.3%** of SDCERS' plan size in FY 2025 and declines to **3.0%** by FY 2029

Represents modest **increase** of commitment pace to private equity relative to long-term historical average but relatively in line with FYs 2021-2022

$60 million

Assumes **$60 million** of private equity commitments in FYs 2025-2029

Exposure falls to **4.2%** of SDCERS' plan size in FY 2025 and declines to **2.6%** by FY 2029

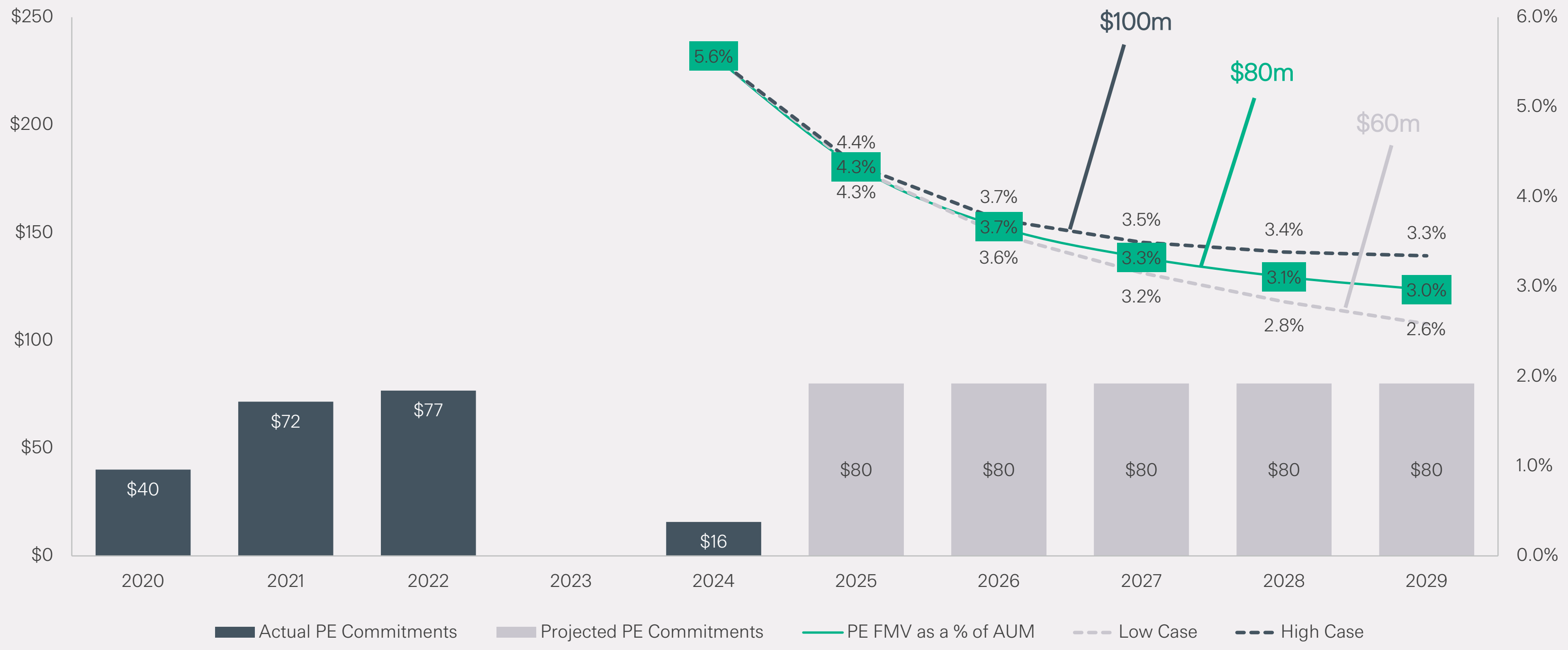
Lower commitment pace to private equity in line with more recent historical average over the last five years

Projected distributions significantly outpace projected contributions as the portfolio is largely in the **harvest** phase

For illustrative purposes only

Investment pacing analysis – private equity

StepStone is projecting a decline in NAV in FY 2025 due to reduced capital deployment coupled with projected distributions.



- The Program's private equity commitment pace in FY 2024 was below the plan proposed to SDCERS last year (actual of $15.7 million vs projected of $100 million)
- With $80 million of commitments in FYs 2025-2029, SDCERS' NAV is expected to decline to 3.0% of AUM in FY 2029 given higher expected cash outflows in the upcoming years

Pacing model information set forth herein are based on assumptions that StepStone believes to be reasonable as of the date hereof. Actual results are inherently uncertain and subject to many factors, including market conditions and general economic conditions, and may vary materially from the model information set forth herein. There can be no assurance that the Fund will achieve its objectives or avoid substantial losses. FMV data is as of June 30, 2024, or latest available. The x-axis represents fiscal years ending in June. The Actual Commitment blue bars represent the Fund's actual commitment amounts in each fiscal year. PE FMV % amounts are based on SDCERS' NAV as a percentage of SDCERS' AUM as of each given fiscal year-end. Forward estimates of amount based on June 2024 SDCERS AUM with an assumed expected net return of 5.3%.

FY 2025 investment themes – private equity

Investment pace	StepStone has modeled private equity commitments of $80 million for the year within a range of $60 to $100 million
Concentrated commitments	StepStone will target a limited pool of fund managers in which we have the highest conviction
Opportunistic approach	Continue to favor secondaries, co-investments, and seasoned primaries as a preferred means of building desired exposures by industry sector and fund strategy StepStone will evaluate secondary offers on various positions in the portfolio on an opportunistic basis
J-curve mitigating strategies	Continue to target strategies which can lower the risk profile of the Program and offer earlier distributions such as secondaries, seasoned primaries, and other special situations strategies
Specialized funds targeting attractive sectors	Healthcare, tech-enabled business services, and software will be a continued area of focus for the Program's private equity investments

Appendix I: Portfolio highlights

Investment strategy overview – private equity

The Program seeks to achieve attractive returns to SDCERS through a portfolio of private market investments across an assortment of investment asset classes and investment types as follows:

Investment asset class

Buyouts

Acquisition of a relatively mature product or business, from either a public or private company, utilizing debt and equity

Venture capital / growth equity

Investment in development-stage, privately held companies that are early in their life cycle with perceived high growth potential

Distressed / special situations

The purchase of debt securities trading at a significant discount to par value

Mezzanine

Investment strategy involving subordinated debt (the level of financing senior to equity and below senior debt)

Investment types

Primary

Investment into a private equity fund in which the manager has discretion to obtain diversified exposure to the private equity asset class of the fund

Seasoned primary

A primary investment completed after the fund has already committed up to 50% of their committed capital

Secondary investments

The purchase of LP interests in private equity funds or direct private investments in companies

Co-investments

The practice of making non-control direct equity investments in individual transactions alongside general partners who source, or sponsor, the deal

Performance summary – private equity

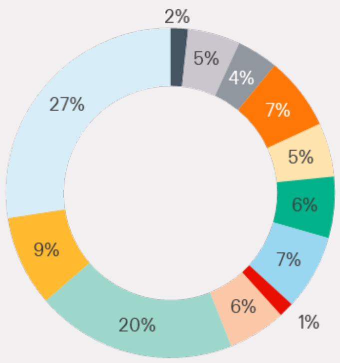
(in $ millions) *As of June 30, 2024*

Investment Type	# of Investments	Committed(1)	Funded(2)	Distributed	Market Value	Total Value	TVM(3)(4)	IRR(3)(4)
Private Equity Secondaries	40	$206.1	$195.6	$191.7	$129.4	$321.1	1.64x	15.6%
Active PE Secondaries	23	139.1	129.2	79.4	129.4	208.7	1.62x	12.5%
Realized PE Secondaries	17	67.0	66.4	112.3	0.0	112.3	1.69x	19.6%
Private Equity Seasoned Primarie	18	186.5	184.8	269.7	93.7	363.4	1.97x	16.3%
Active PE Seasoned Primaries	13	121.5	123.1	174.7	93.7	268.4	2.18x	17.0%
Realized PE Seasoned Primaries	5	65.0	61.8	95.0	0.0	95.0	1.54x	14.2%
Private Equity Primaries	19	257.0	250.9	276.4	240.2	516.5	2.06x	17.9%
Active PE Primaries	17	239.5	229.4	228.8	240.2	469.0	2.04x	17.2%
Realized PE Primaries	2	17.5	21.5	47.5	0.0	47.5	2.21x	22.0%
Private Equity Co-Investments	19	223.3	203.4	283.7	165.7	449.5	2.21x	17.5%
Active PE Co-Investments	10	164.6	144.2	165.8	165.7	331.6	2.30x	18.4%
Realized PE Co-Investments	9	58.7	59.2	117.9	0.0	117.9	1.99x	15.9%
Private Equity Total	96	$872.9	$834.7	$1,021.5	$628.9	$1,650.4	1.98x	17.0%
SDCERS Net Private Equity(4)							1.86x	15.4%

(1) For secondary investments, Commitment represents total exposure, calculated as the total purchase price of the interest, plus the remaining commitment assumed as of the pricing date
(2) Funded includes additional fees and expenses associated with the investment in the underlying partnerships
(3) IRR and TVM are net of management fees and expenses related to the underlying partnership investments (but before taxes or withholdings incurred by the limited partners directly or indirectly through payments or withholdings by any StepStone-managed vehicle). IRR performance for investments held less than two years is not meaningful. IRR and TVM for certain vehicles may have been impacted by Stepstone's or the underlying GPs' use of subscription-backed credit facilities by such vehicles. Reinvested/recycled amounts increase contributed capital
(4) With the combining of the Private Equity and Infrastructure programs, the total Net TVM and IRR calculations are considered estimates based upon an approved methodology. Fund-level management fees, expenses, and carried interest paid are actual paid amounts allocated across private equity and infrastructure investments based on original commitment amounts related to investments. The calculations also reflect carried interest accrued that has been allocated across private equity and infrastructure investments based on the net gains achieved on the respective strategies. Additional information on the calculation methodology described above is available upon request. For each investment series, SSAF 2009 has generated a 11% net IRR; SSAF 2011 has generated a 3% net IRR; SSAF 2012 has generated a 14% net IRR; SSAF 2014 has generated a 17% net IRR; and SSAF 2022 has generated a 15% net IRR

Portfolio diversification summary – private equity

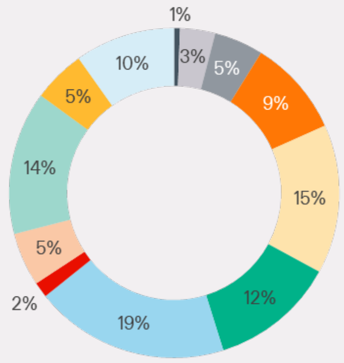
Vintage Year
by Commitment



(in $ millions)

Vintage Year	Investments	Commitment	% of Total
2023	2	15.0	2%
2022	3	45.0	5%
2021	7	35.3	4%
2020	4	62.9	7%
2019	6	46.1	5%
2018	4	52.5	6%
2017	5	64.4	7%
2016	2	13.0	1%
2015	9	49.6	6%
2014	14	172.0	20%
2013	7	77.5	9%
2012 and Prior	33	239.5	27%
Total	96	$872.9	100%

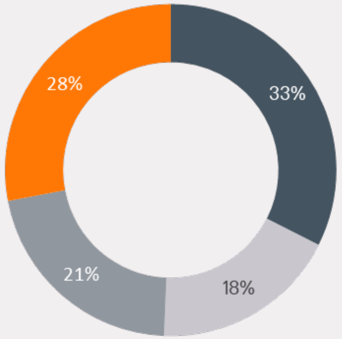
Vintage Year
by Market Value



(in $ millions)

Vintage Year	Investments	Market Value	% of Total
2023	2	3.6	1%
2022	3	21.7	3%
2021	7	30.2	5%
2020	4	59.6	9%
2019	6	92.0	15%
2018	4	77.0	12%
2017	5	119.9	19%
2016	2	9.6	2%
2015	9	33.0	5%
2014	14	88.5	14%
2013	7	32.3	5%
2012 and Prior	33	61.7	10%
Total	96	$628.9	100%

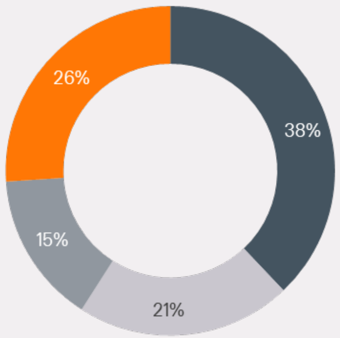
Investment Type
by Commitment



(in $ millions)

Investment Type	Investments	Commitment	% of Total
Co-Investment	21	283.2	32%
Primary	17	158.9	18%
Seasoned Primary	18	186.5	21%
Secondary	40	244.3	28%
Total	96	$872.9	100%

Investment Type
by Market Value



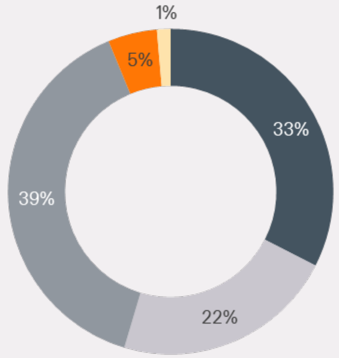
(in $ millions)

Investment Type	Investments	Market Value	% of Total
Co-Investment	21	238.6	38%
Primary	17	132.8	21%
Seasoned Primary	18	93.7	15%
Secondary	40	163.8	26%
Total	96	$628.9	100%

(1) Amounts are by underlying fund commitment as of June 30, 2024
(2) Amounts are by underlying fund market value as of June 30, 2024
(3) Investment Type looking through investments in TGF I, II and III.

Portfolio diversification summary – private equity

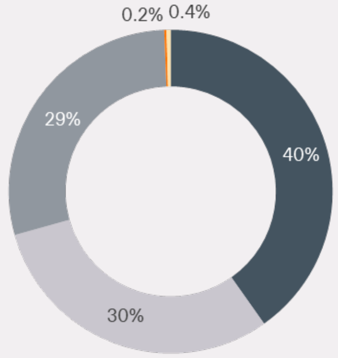
Investment Strategy
by Commitment



(in $ millions)

Investment Strategy	Investments	Commitment	% of Total
Growth Equity	24	283.8	33%
Venture Capital	30	192.9	22%
Small/Middle	34	341.8	39%
Distressed	4	42.5	5%
Large/Global	4	11.9	1%
Total	96	$872.9	100%

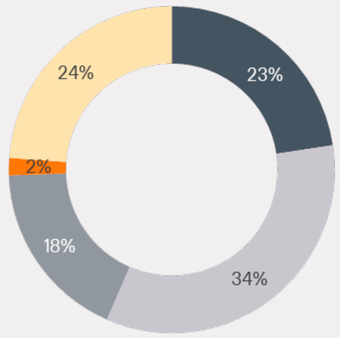
Investment Strategy
by Market Value



(in $ millions)

Investment Strategy	Investments	Market Value	% of Total
Growth Equity	24	252.9	40%
Venture Capital	30	191.5	30%
Small/Middle	34	180.5	29%
Distressed	4	1.4	0.2%
Large/Global Buyouts	4	2.6	0.4%
Total	96	$628.9	100%

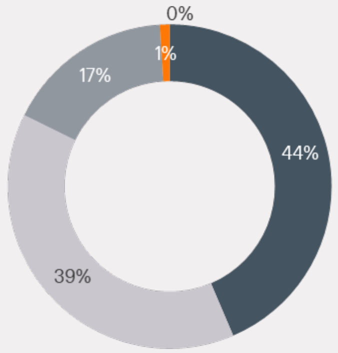
Performance
by Commitment



(in $ millions)

Investment Rank	Investments	Commitment	% of Total
Outperform	22	197.4	23%
Perform	19	296.0	34%
Underperform	19	156.3	18%
Too Early To Tell	3	15.0	2%
Realized	33	208.2	24%
Total	96	$872.9	100%

Performance
by Market Value



(in $ millions)

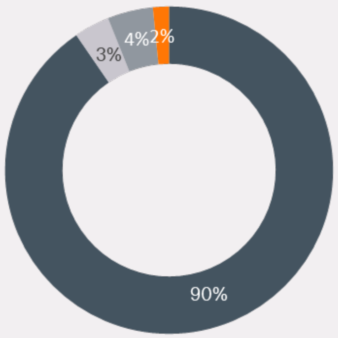
Investment Rank	Investments	Market Value	% of Total
Outperform	22	274.1	44%
Perform	19	243.2	39%
Underperform	19	105.5	17%
Too Early To Tell	3	6.1	1%
Realized	33	0.0	0%
Total	96	$628.9	100%

(1) Amounts are by underlying fund commitment as of June 30, 2024

(2) Amounts are by underlying fund market value as of June 30, 2024

Portfolio diversification summary – private equity

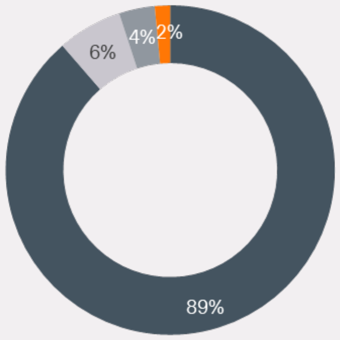
Region
by Commitment



(in $ millions)

Investment Region	Investments	Commitment	% of Total
North America	80	789.4	90%
Asia	5	30.5	3%
Europe	8	39.2	4%
Global/RoW	3	13.8	2%
Total	96	$872.9	100%

Region
by Market Value



(in $ millions)

Investment Region	Investments	Market Value	% of Total
North America	80	557.4	89%
Asia	5	40.0	6%
Europe	8	22.1	4%
Global/RoW	3	9.5	2%
Total	96	$628.9	100%

(1) Amounts are by underlying fund commitment as of June 30, 2024
(2) Amounts are by underlying fund market value as of June 30, 2024

New commitments and liquidity – private equity

(in $ millions) *As of June 30, 2024*

New Investments	Vintage Year	Fund Strategy	Deal Structure	Committed	Funded(1)	Distributed	Market Value	Total Value
Project Maroon	2023	Buyout	PE Secondaries	$5.0	$3.8	$0.0	$3.6	$3.6
Project Golden Eagle - *Follow-On*	2015	Buyout	PE Secondaries	0.7	0.7	0.0	1.4	1.4
Truelink Capital I, L.P.	2024	Buyout	PE Primary	10.0	0.0	0.0	0.0	0.0
Total New Investments				**$15.7**	**$4.5**	**$0.0**	**$5.0**	**$5.0**

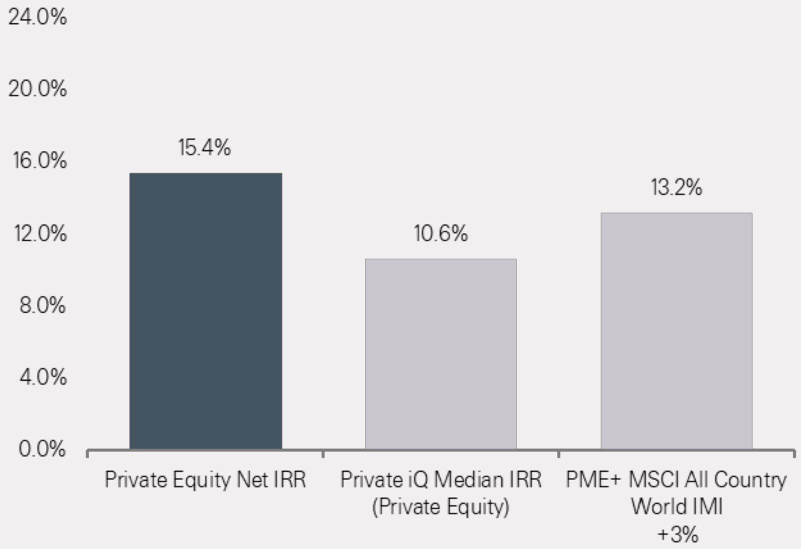
Liquidity – Private Equity
FY 2024 – July 2023 to June 2024

- FY 2024 Total Private Equity Gross Distributions: $56 million
- FY 2024 Top Private Equity Gross Distributions
  - StepStone Tactical Growth Fund I, II and III: $18 million
  - Altos Co-Investment: $7 million
  - StepStone Capital Partners III, IV, V: $6 million
  - DN Capital – Global Venture III: $5 million
  - Project Alice: $5 million

(1) Funded includes additional fees and expenses associated with the investment in the underlying partnerships

Portfolio benchmarking – private equity

The Private Equity since inception net IRR as of June 30, 2024, is 15.4%[1]. The Private Equity portfolio is outperforming the private benchmark by nearly 500 bps and is outperforming the public benchmark by 220 bps.



(1) With the combining of the Private Equity and Infrastructure programs, the underlying calculations are considered estimates based upon an approved methodology. Investor net values are estimated based on actual net cash flows allocated across private equity and infrastructure investments based on original commitment amounts related to investments. Investor net returns include management fees, allocable expenses and carried interest, as applicable, at the Fund level. Net IRRs and multiples for SDCERS' Fund interests are reflective of investments made in respect of private equity and infrastructure investments across the Fund's SSAF 2009, 2011, 2012, 2014 and 2022 Series. Please note that for purposes of the respective net IRR and multiple calculations, Fund-level management fees and expenses are actual paid amounts allocated across private equity and infrastructure investments based on original commitment amounts related to investments. The calculations also reflect carried interest that has been allocated across private equity and infrastructure investments based on the net gains achieved on the respective strategies. Additional information on the calculation methodology described above is available upon request. For each investment series, SSAF 2009 has generated a 11% net IRR; SSAF 2011 has generated a 3% net IRR; SSAF 2012 has generated a 14% net IRR; SSAF 2014 has generated a 17% net IRR; and SSAF 2022 has generated a 15% net IRR.

*Private iQ Median IRR is as of June 30, 2024. Benchmark includes funds labeled All Equity and Distressed Debt, for 2009-2024 vintage year funds as a composite

*Private Equity PME+ calculated using the MSCI All Country World Investable Market Index benchmark + 300 basis points as of June 30, 2024.

Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses. Unless otherwise indicated, all underlying investment attribution and performance information presented is net of fees and expenses charged by the underlying investment, but gross of StepStone vehicle/account fees and expenses. Where indicated, net return figures presented for StepStone vehicle/account performance include fees and expenses paid to StepStone.

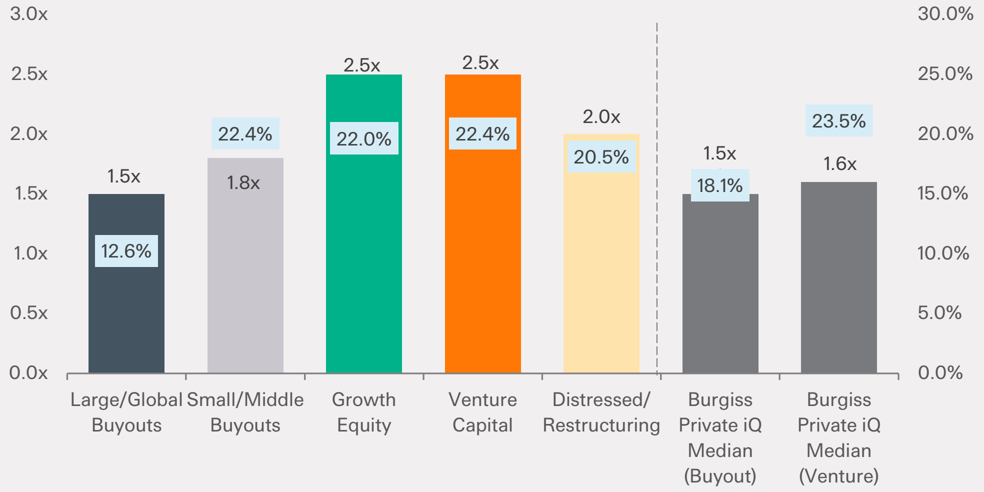
The referenced indices are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Appendix II: Recent performance perspective

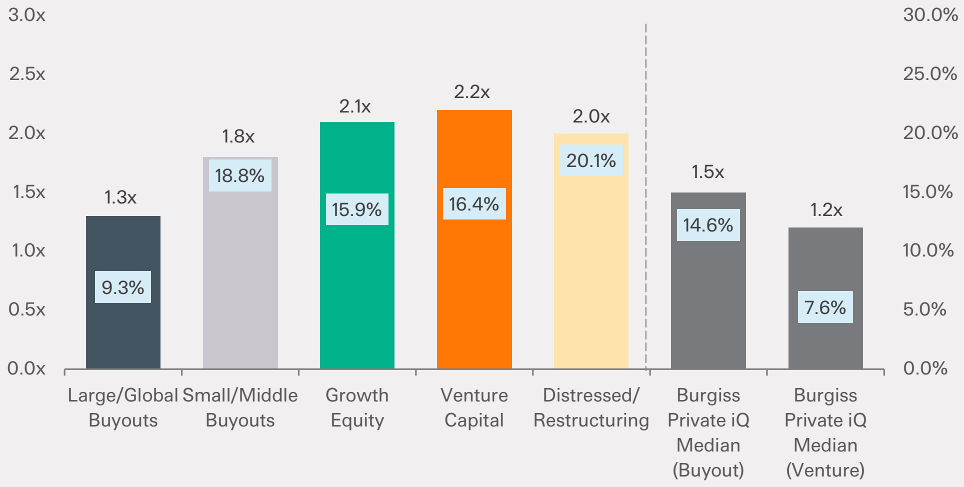
Performance comparison – FY21 vs FY24

The PE portfolio was generating strong performance through FY21, particularly across VC/Growth Equity where the portfolio is more heavily weighted. These categories reached valuation peaks in late 2021 and have seen performance moderation since then. Although SDCERS' investments in VC/Growth Equity have declined in the last three years, they remain the top performing strategies across the PE portfolio. Furthermore, the median VC benchmarks have declined from a 24% net IRR to an 8% net IRR while SDCERS' VC/Growth Equity investments have continued to generate a 16% net IRR.

FY 2021 (Q2'21)



FY 2024 (Q2'24)



IRR and TVM for certain vehicles may have been impacted by Stepstone's or the underlying GPs' use of subscription-backed credit facilities by such vehicles. Reinvested/recycled amounts increase contributed capital.
Performance is net of underlying manager fees and expenses, but gross of StepStone's fees and expenses. All figures above are shown gross of StepStone fees, expenses and carried interest.
Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses. Unless otherwise indicated, all underlying investment attribution and performance information presented is net of fees and expenses charged by the underlying investment, but gross of StepStone vehicle/account fees and expenses. Where indicated, net return figures presented for StepStone vehicle/account performance include fees and expenses paid to StepStone.
-Burgiss Private iQ Median (Buyout) IRR and TVM is as of June 30, 2021 and June 30, 2024. Benchmark includes funds labeled as Buyout Equity, for 2009-2024 vintage year funds as a composite (2022 – 2024 excluded for 2021 Benchmark).
-Burgiss Private iQ Median (Venture) IRR and TVM is as of June 30, 2021 and June 30, 2024. Benchmark includes funds labeled as Venture Capital Equity, for 2009-2024 vintage year funds as a composite (2022 – 2024 excluded for 2021 Benchmark).
-Burgiss – IRR Private iQ Median (Equity + Distressed Debt) Time Period IRR as of June 30, 2021 and June 30, 2024. Benchmark includes funds labeled as Equity and Distressed Debt, for 2009-2024 vintage year funds as a composite (2022 – 2024 excluded for 2021 Benchmark).

Recent performance – private equity

- During the trailing 3YR period, the Private Equity portfolio's top five detractors have generated $108 million of losses, while the remainder of the portfolio has generated an aggregate $66 million of gains
- Four of the five top detractors over the last three years (excluding Project Sumo) represent decreases in gains after a period of market exuberance rather than overall underperformance
  - Altos Co-Investment (Roblox) marked down from 14.2x to 8.5x TVM
  - StepStone Capital Partners III marked down from 2.3x to 1.8x TVM
  - Trustbridge Partners IV marked down from 4.2x to 3.2x TVM
  - Versant Venture VI marked down from 3.8x to 1.6x TVM
- Project Sumo is a core secondary investment which has meaningfully underperformed since its peak in 2021 due to operational missteps in two assets
- Key value detractors are not recent investments and were completed an average age of ~10 years ago

TRAILING 3YR TOP CONTRIBUTORS / GAIN S

(USD millions)

Fund Name	Investment Type	Contributors
SunStone Co-Investment	Growth Equity	22.7
Main Post Co-Investment	Growth Equity	18.7
StepStone Capital Partners IV, L.P.	Small/Middle Buyouts	14.0
Project Cavaliers	Small/Middle Buyouts	10.0
StepStone Tactical Growth Fund III, L.P.	Growth Equity	8.0
Total Top 5		**73.4**

TRAILING 3YR TOP DETRACTORS / LOSSES

(USD millions)

Fund Name	Investment Type	Detractors
Project Sumo	Growth Equity	-39.1
Altos Co-Investment	Growth Equity	-25.7
StepStone Capital Partners III, L.P.	Small/Middle Buyouts	-18.7
Trustbridge Partners IV L.P.	Growth Equity	-13.0
Versant Venture VI, L.P.	Venture Capital	-11.5
Total Top 5		**-108.1**

Performance benchmarking – private equity

SDCERS' Private Equity portfolio construction historically maintained higher tilts toward VC/Growth Equity investments, accounting for approximately 70% of portfolio exposure relative to the benchmark weighting of 22%. The benchmark has a higher tilt toward Buyout investments on a capital weighted basis given the outsized scale of many Mega/Global Buyout managers.

When weighting StepStone's PE benchmark in line with the SDCERS' Private Equity portfolio tilts, the delta between the Private Equity portfolio returns and the benchmark improved meaningfully, with 410 bps over the last 3 fiscal years and 110 bps over the last 2 fiscal years. This implies that strategy allocations produced roughly half of StepStone's underperformance vs. the PE benchmarks over the last 3 years and approximately 80% over the last two fiscal years.

As of June 30, 2024

	3 Year TWR	2 Year TWR
StepStone PE Market Weighted Benchmark	6.6%	2.0%
StepStone PE SDCERS Weighted Benchmark	2.6%	(2.2%)
Buyout (30% Weight)	*8.6%*	*4.8%*
Growth Equity (40% Weight)	*0.7%*	*(2.4%)*
Venture Capital (30% Weight)	*(1.0%)*	*(8.8%)*
SDCERS PE Portfolio Returns	(1.6%)	(3.2%)
SDCERS PE Portfolio vs. Market Weighted Benchmark	(8.1%)	(5.2%)
SDCERS PE Portfolio vs. SDCERS Weighted Benchmark	(4.1%)	(1.1%)

Benchmark figures provided by STEP Fund Benchmarks with latest data as of October 2024.

Recent performance – growth equity

The growth equity portfolio has given back some of the meaningful since inception gains in the 1YR and 3YR period, primarily driven by the significant markdown of Project Sumo. However, the sector has generated strong performance during the 5YR period with $218 million of gains. Excluding Project Sumo, the remaining growth equity portfolio has generated positive returns over the last 3 years.

As of June 30, 2024, USD millions

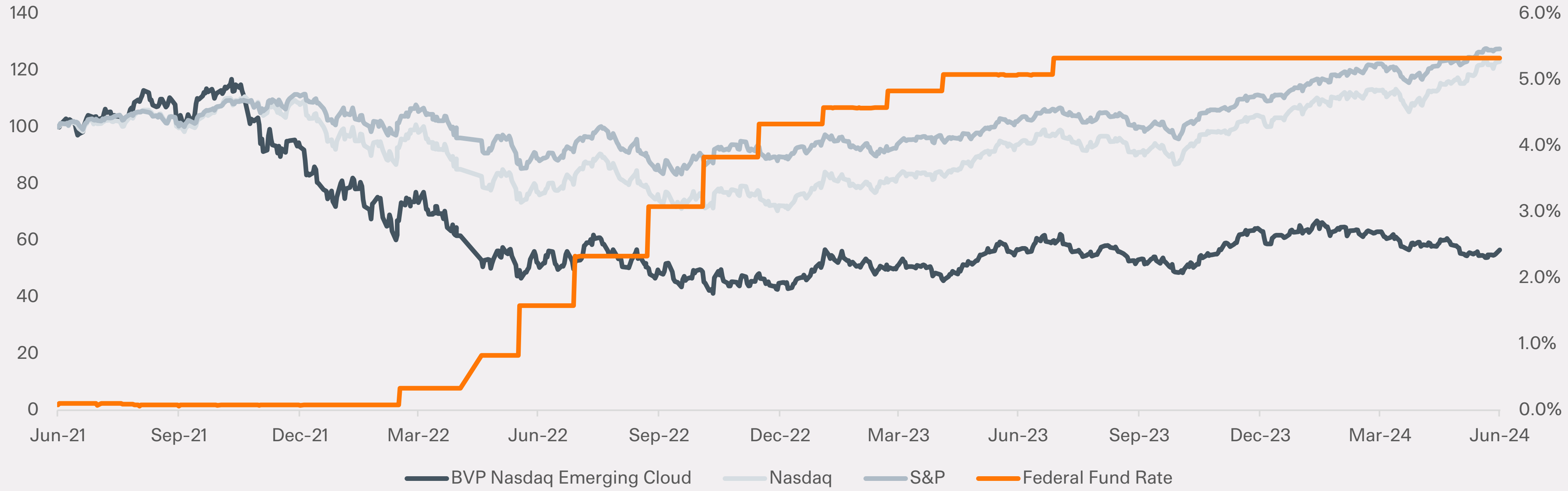
GROWTH EQUITY	GAIN/(LOSS)	TWR	CONTRIBUTORS / GAIN	DETRACTORS / LOSS
TRAILING 1YR	($23.3)	(-8.0%)	• Main Post Co-Investment (+$9.6)	• Project Sumo (-$19.3)
TRAILING 3YR	($35.1)	(-4.1%)	• SunStone Co-Investment (+$22.7) • Main Post Co-Investment (+$10.6) • StepStone Tactical Growth Fund III (+$8.0)	• Project Sumo (-$39.1) • Altos Co-Investment (-$25.7) • Trustbridge Partners IV (-$13.0)
TRAILING 5YR	$218.4	13.5%	• StepStone Tactical Growth Fund II (+$69.5)	• Project Sumo (-$21.4)
SINCE INCEPTION IRR/TVM	$327.5	15.9% / 2.1x	• StepStone Tactical Growth Fund II (+$78.2) • StepStone Tactical Growth Fund I (+$73.1) • SunStone Co-Investment (+$55.0)	• HighBAR Partners II (-$9.0) • Project Sumo (-$7.0) • Mercato Co-Investment (-$4.9)

Higher interest rates impacted growth tech markets

Following peak valuations in late 2021, high growth tech stocks declined more sharply than the broader market. The BVP Emerging Cloud Index, which is most closely correlated with the Growth Equity and VC markets, further struggled as interest rates increased and the higher valuations seen in public markets became increasingly difficult to justify. The BVP Cloud Index has remained relatively flat over the last two years even as broader public markets have recovered. This dynamic has further filtered into the private markets, as private high growth tech businesses avoid going public, further delaying distributions from funds holding those private assets.

Public Indices vs Federal Fund Rate

Jun 30, 2021 – June 30, 2024



1. Source: Cloudindex.bvp. Data from June 30, 2021 to June 30, 2024. Index returns presented using Time Zero methodology as of June 30, 2021.
2. Source: Macrotrends Data. Data from June 30, 2021 to June 30, 2024.

StepStone response to recent performance

- Going forward, we recommend that the Private Equity portfolio balance the exposure to Growth Equity and Venture Capital, with a preference for high conviction Small/Middle and Large/Global Buyout opportunities
  - This will mark a shift from the portfolio's focus in prior years on strategies with higher target returns such as Growth Equity and Venture Capital
- StepStone has added additional client team resources focused on Buyout investments
- Coordinated efforts across both StepStone and GCM to provide better visibility to staff and advisors on SDCERS' full PE portfolio
- Exploring liquidity options through secondaries to further reduce VC/Growth Equity exposure

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.