

# STEPSTONE PRIVATE MARKETS (SPRIM™)

## Q3 2023 Fund Commentary and Activity

### PERFORMANCE

StepStone Private Markets (“SPRIM™” or the “Fund”) generated a net return of -0.51% in Q3 2023. Since inception, SPRIM has delivered a 25.00% annualized return and a 95.18% total return.<sup>1</sup> SPRIM has posted positive returns in 27 of its 36 months of operations and reached \$1.5B of assets under management as of September 30, 2023.

### PORTFOLIO CONSTRUCTION DRIVES RETURNS

We believe that the Fund’s strong returns since inception benefited from a balanced mix of:

- Discounted secondary purchases of high-quality mature assets closer to their expected realization;
- Longer-duration exposure to attractive assets through General Partner (“GP”) led secondary continuation vehicles and co-investments;
- Defensive underwriting, which targets resilient assets in less cyclical end markets, and pricing designed to deliver attractive returns in the event of a severe or prolonged economic downturn;
- Robust capital inflows that allowed SPRIM to continuously invest into a distinctively attractive secondary buying environment; and
- Modest allocations to real assets and private debt helped dampen volatility, provide consistent income and reduce the impact of inflation.

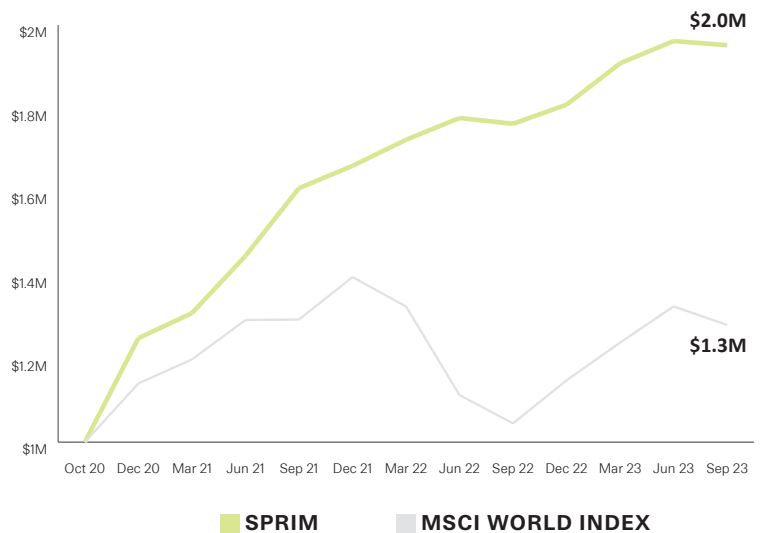
### RETURN COMPONENTS AND BENCHMARK

Amidst a challenging market environment driven by geopolitical uncertainty and inflationary pressure, SPRIM lost 0.51% in Q3 2023 versus a 3.36% loss in the MSCI World Index, SPRIM’s primary benchmark. Since its inception, SPRIM’s 95.18% total return has substantially outpaced the MSCI World Index, which has generated a total return of 27.37%.<sup>2</sup>

We attribute the Fund’s Q3 2023 performance to the following factors:

- Portfolio companies managing challenging market conditions and an elevated interest rate environment resulted in markdowns and unrealized losses of \$38.5M
- Although merger and acquisition activity declined materially in 2022 and has remained muted in Q3 2023, our portfolio continued to experience liquidity events, with realized gains and income distributions totaling approximately \$25.0M
- Favorable supply/demand dynamics in the secondary markets resulting in attractive discounts, which have allowed StepStone to purchase assets managed by GPs, who we believe are historically top-tier managers, at meaningful discounts to net asset value (“NAV”). Unrealized gains from secondary discounts totaled approximately \$7.2M.

**GROWTH OF A \$1M INVESTMENT<sup>3</sup>**



<sup>1</sup>The date of inception for all share classes is October 1, 2020. Performance is cumulative and represents the percent change in net asset value (NAV) for the Class I shares and assumes reinvestment of all distributions pursuant to SPRIM’s distribution reinvestment plan.

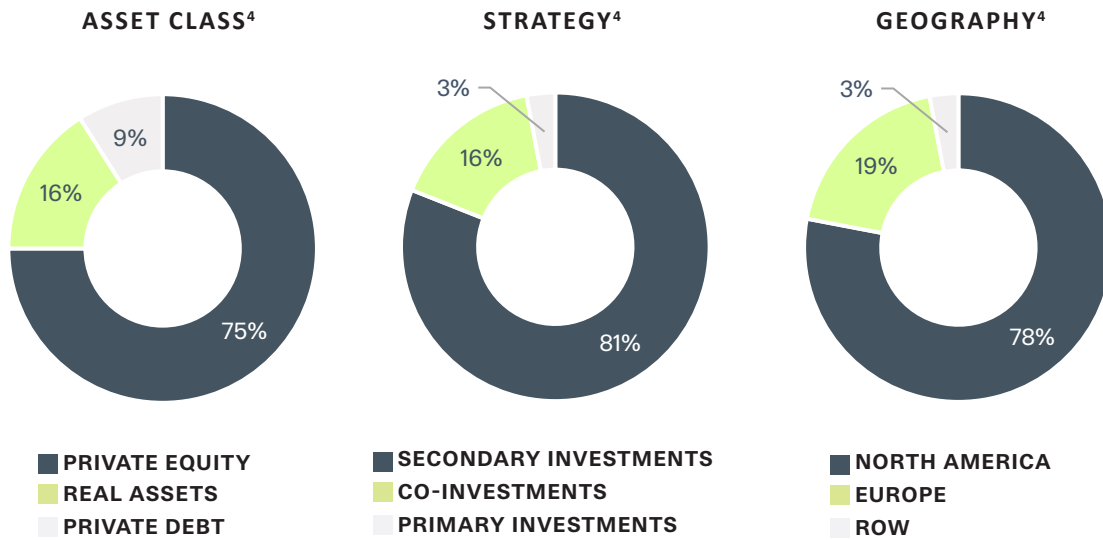
<sup>2</sup>Past performance does not guarantee future results. The MSCI World, an index that includes a collection of stocks of all the developed markets in the world, is SPRIM’s primary benchmark. Investors cannot invest directly in an index.

<sup>3</sup>The chart above represents the hypothetical growth of a \$1,000,000 investment in Class I shares. Returns for the Fund’s other classes will vary from what is seen above due to differences in fee structures, specifically the distribution and shareholder servicing fee associated with brokers, dealers and certain registered investment advisors and other financial intermediaries.

## INVESTING THROUGH THE CYCLE: CAPITALIZING ON PRICING DYNAMICS, FAVORING RESILIENT ASSETS

SPRIM executed its strategy of consistently investing through market cycles while leveraging StepStone's global scale and depth. During the quarter, SPRIM deployed \$71.0M across 10 separate private market asset transactions. SPRIM took advantage of a market that StepStone believes has been favorably repriced to participate in three attractively priced private equity secondary transactions in assets managed by who we believe to be top performing managers. These transactions represented a mix of diversified limited partner ("LP") and single-asset GP-led secondaries. Additionally, SPRIM invested in four private equity co-investments.

SPRIM has assembled a diverse portfolio of 151 investment funds and 29 co-investments managed by 111 fund sponsors as of quarter-end. The portfolio includes over 2,000 underlying companies, broadly diversified across various industry sectors, sizes, vintage years and geographic locations in a manner designed to mitigate volatility and risk. Private equity continues to comprise a majority of SPRIM's asset base, representing 75% of investments as of September 30, 2023. In line with the Fund's diversification strategy, SPRIM has focused on investments in resilient industries that may benefit from long-term growth trends such as Information Technology, Industrials and Healthcare.



## CASE STUDIES

### Case Study A

- Through a GP-led tender process, SPRIM invested \$27.1M to acquire an interest in a single buy-out fund which is managed by a GP StepStone believes to be a potential outperformer. The portfolio is comprised of 11 portfolio companies operating in end markets StepStone believes to be growing and resilient.
- The portfolio has demonstrated strong operating metrics to date with revenue and EBITDA CAGR<sup>5</sup> of 31% and 40%, respectively. The portfolio is well diversified across company (no asset >20% of NAV) and sector (exposure to wealth management, insurance, telecom and industrials). StepStone believes the transaction represents a compelling entry point at a value creation inflection point.

### Case Study B

- SPRIM invested \$14.0M in a real asset co-investment alongside one of StepStone's high conviction infrastructure managers in the take-private of a European transportation infrastructure conglomerate. The investment is diversified across multiple underlying assets including toll roads, airports, rail link concessions and mobility solutions businesses.
- StepStone believes that the investment's diversified base of contracted cashflows, which are largely inflation-linked, may provide downside protection in a resilient infrastructure subsector.

<sup>4</sup>The asset class and geography charts are stated as a percentage of SPRIM's private market investments at the private assets fund level as reported by the relevant fund sponsor. Fund holdings and allocations are subject to change and are not recommendations to buy or sell any security.

<sup>5</sup> EBITDA stands for earnings before interest, taxes, depreciation and amortization. EBITDA is a useful metric for understanding a business's ability to generate cash flow for its owners and for judging a company's operating performance. CAGR, an acronym for compound annual growth rate, measures the annualized rate of growth in the value of an investment or financial metric over a stated period.

## **IMPORTANT RISKS/DISCLOSURES**

**Performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance shown is net of fees. For the most recent month end performance please call 704.215.4300 or visit [stepstonepw.com](http://stepstonepw.com). Short term performance in particular is not a good indication of the fund's future performance and an investment should not be made based solely on returns.**

**Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus, a copy of which may be obtained from StepStone Private Markets at 704.215.4300. An investor should read the prospectus carefully before investing. Investors should also review the material available on [stepstonepw.com](http://stepstonepw.com) with respect to StepStone Private Markets.**

*An investment in the Fund involves risks. The Fund should be considered a speculative investment that entails substantial risks, and a prospective investor should invest in the Fund only if it can sustain a complete loss of its investment. Fund fees and expenses may offset trading profits. Fund shares are illiquid and appropriate only as a long-term investment. There is no market exchange available for shares of the Fund thereby making them difficult to liquidate. Use of leverage may increase the Fund's volatility. The Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Investments may consist of loans to small and/or less well-established privately held companies that have reduced access to the capital markets, resulting in diminished capital resources and the ability to withstand financial distress. Please see the prospectus for details of these and other risks.*

SPRIM is distributed by UMB Distribution Services, LLC, which is not affiliated with StepStone Group Private Wealth, LLC

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