



StepStone Real Estate House Views

SPRING 2025 REPORT

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All data is as of May 2025, unless otherwise noted.

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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 strong diagonal lines that converge towards the top of the frame. The sky is visible through the glass, appearing as a pale blue. The overall aesthetic is clean, architectural, and contemporary.

Executive summary

Executive summary



Market themes & macro setting



Property outlooks



Preferred strategies

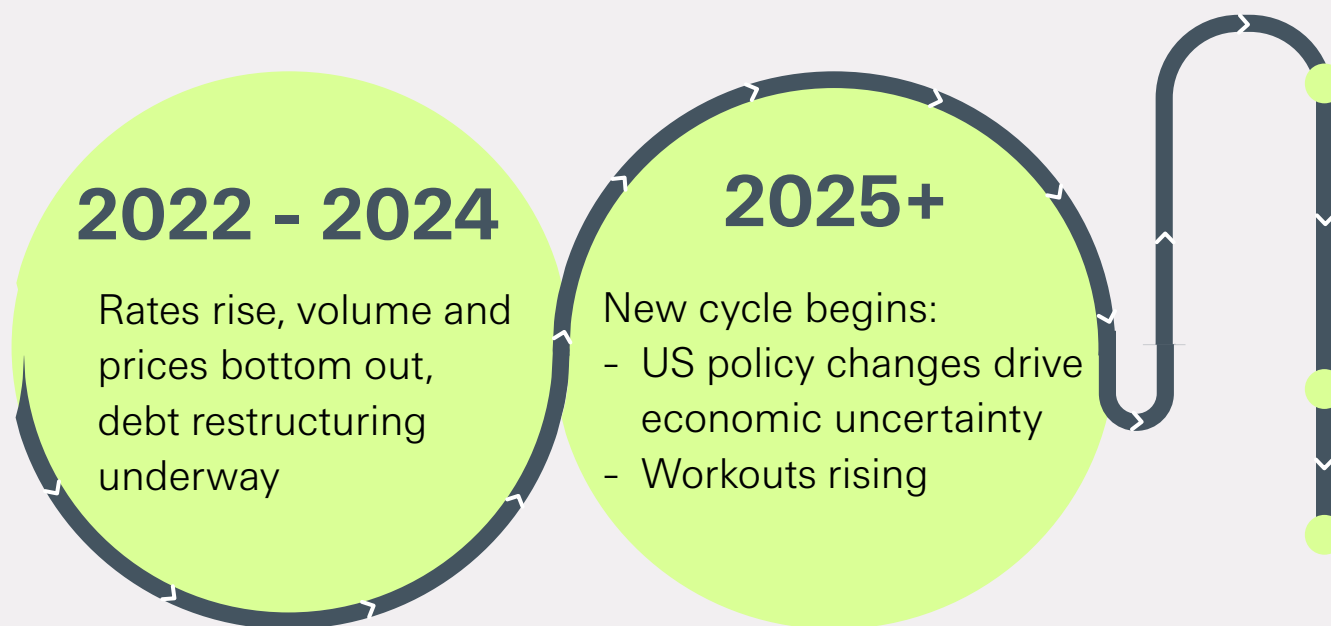


Portfolio construction

New cycle beginning with high uncertainty led by changing US fiscal and trade policy, slower growth expected globally

- Shift from risk-on at perceived market bottom to caution while assessing impact of tariffs and other US policy changes
 - Last cycle ended with real estate volume recovering, some carrying values elevated and many balance sheets over-levered
 - Globally, central banks have shifted to easing; next moves unclear esp. in US with higher inflation and slowing job growth expected
 - Central banks directly affect short end of yield curve; long rates now volatile, likely drop only in weak economy
 - Lower European interest rates more likely to persist; mixed impact from US trade and foreign policy, slow near-term growth likely
 - Japan maintains strong investment appeal despite BoJ hikes, while China remains largely offline for most investors
-
- Generally healthy fundamentals with spots of overbuilding getting absorbed, supply is down; policy changes likely to limit supply
 - Uncertainty slows commercial leasing. Industrial at risk of demand shifts (pro and con) from tariffs
 - Office (still weak, green shoots), retail (solid, especially necessity) and hotel all vulnerable to recession
 - Residential boosted by high cost of ownership, uncertainty and housing shortage; demographics support senior housing
 - Data center demand continues from strong cloud adoption and AI, undergoing some readjustment post DeepSeek
-
- Quality assets with in-place, durable income. Lean into residential and necessity properties for downside protection
 - Debt strategies remain interesting, defensive
 - Recapitalization and distress buying opportunities rising and may accelerate with continued stress, offer outsized return potential
-
- Gradually pace fully into core/core+ allocations, favoring durable income and better-priced open-ended funds
 - Enhance regional diversification as deglobalization advances
 - Emphasize high quality managers with proven, relevant track records
 - Slow deployment translates to more return dilution in closed ended funds

Higher interest rates, turmoil and opportunity



NOW:

Favorable outlook

- *Debt*
- *Secondaries and recapitalizations*
- *Opportunistic/distress*
- *Average into core/core+ with better NAV*
- *Emphasize in place and durable income*

ONGOING:

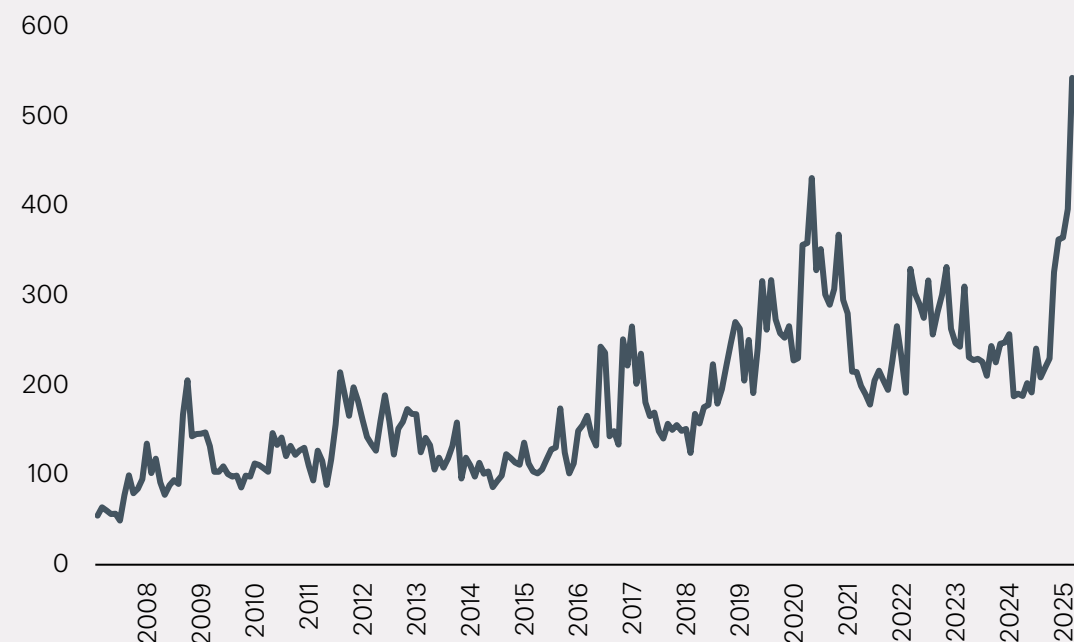
Real estate maintains its long-term targeted role in portfolios

- *Diversification*
- *Inflation protection*
- *Current income*
- *Appealing risk/return*

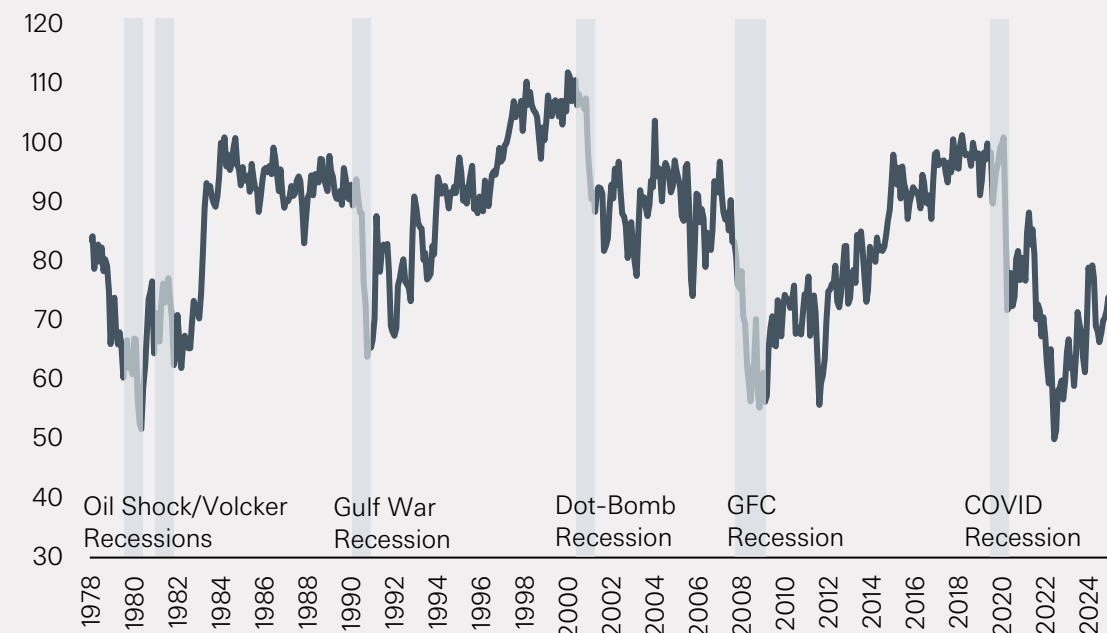
Elevated policy uncertainty

- Material changes to US policy and the global economic order are in early stages
- The past may be less indicative of the future than usual

Global Economic Policy Uncertainty Index¹



Consumer Sentiment Index²



Sources:

1. Baker, Scott R.; Bloom, Nick; Davis, Stephen J. via FRED, May 2025. Global index is weighted by GDP. Index is as of January 2025, so does not reflect April tariff announcement.

2. University of Michigan: Consumer Sentiment, Index 1966:Q1=100, Monthly, Not Seasonally Adjusted, April 2025.

Back to basics

How to deploy capital and generate returns in an uncertain environment

Focus on income

- Income growth matters more now in absence of declining interest and cap rates
- Durable income attracts investors to real estate, particularly in challenging times
- Immigration and trade restrictions will drive up construction costs which delay new supply, allowing more income and value growth

Selectively seek opportunity

- Emphasize in-place and durable income; critically analyze lease-up/rent-increase plays. Residential and essential services (e.g. medical office, senior care, groceries) most resilient in downturns, also supported by lower mobility
- Seek attractive all-in cost basis which is potentially more likely because new stresses can amplify existing balance sheet challenges, accelerate workouts and distress sales
- Greater opportunity set allows selectivity of assets and managers with better odds of successfully navigating challenges

Diversify

- Diversification is a powerful risk mitigator a) across the total portfolio - getting to target on real estate matters, and b) within the real estate allocation (geography, property type, etc.)
- Deglobalization and trade uncertainty warrant greater geographic diversification
- Policy impact varies by property type. Property types may continue to diverge even as changes from ecommerce and work-from-home are assimilated



Focus on income

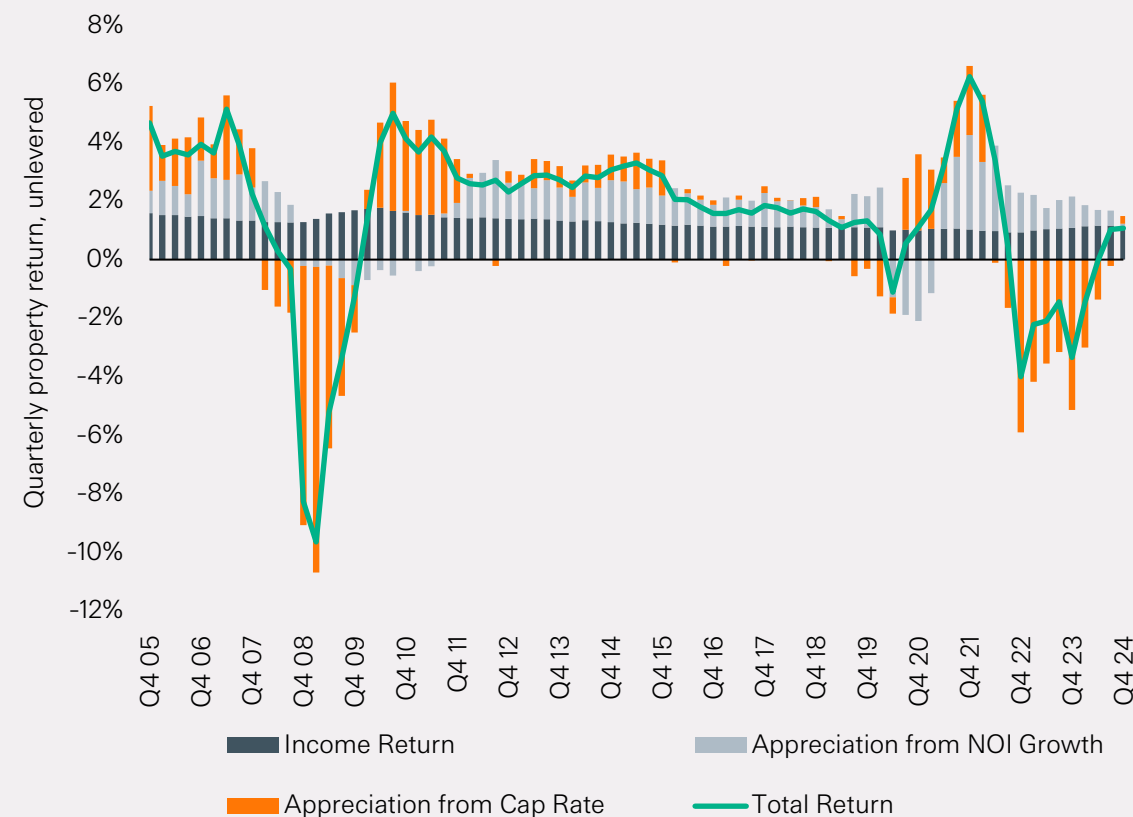
Income drives long-term property returns

- Long-term, core, buy and hold real estate returns (beta) are mostly from income
- Lately, big shifts in space use and interest rates led to commensurate swings in cap rates
- With these changes settling out through the prior cycle and now difficult to predict, focus turns back to income

NFI-ODCE net return mostly from income

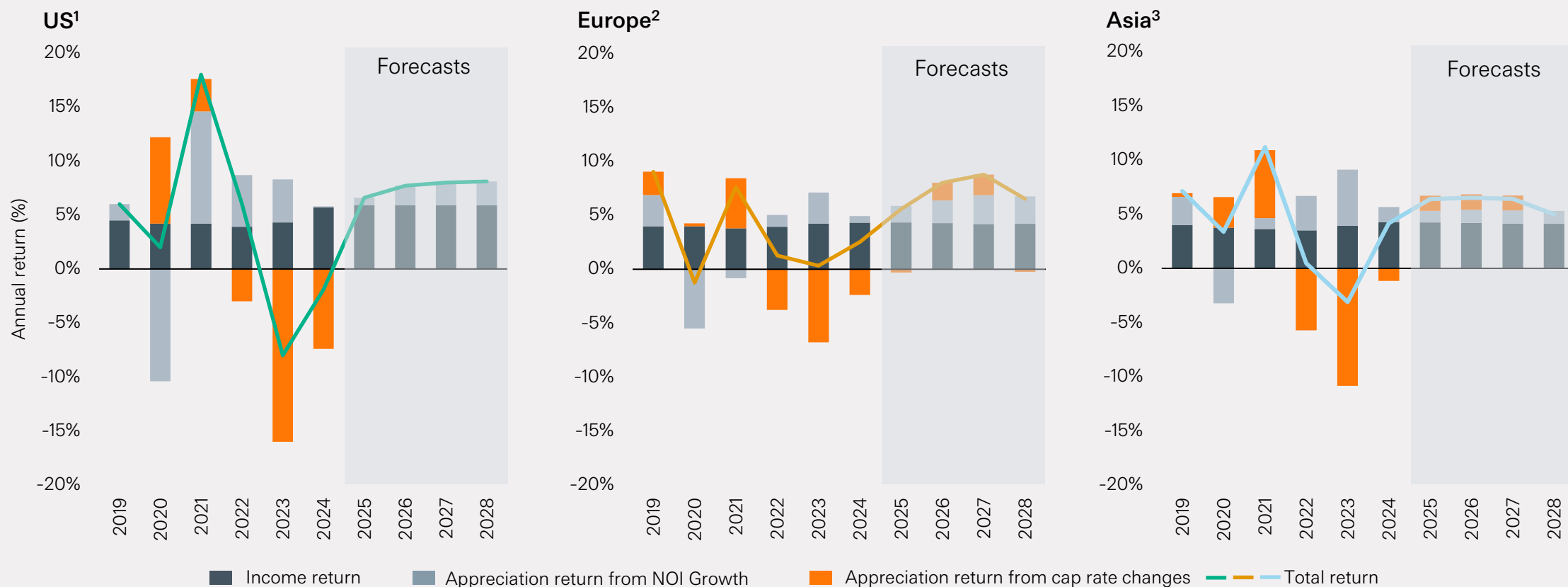
Period	Income return	Appreciation return	Total return
3-year	2.9%	-5.9%	-3.1%
5-year	2.9%	-0.9%	2.0%
10-year	3.2%	1.7%	4.9%
25-year	4.5%	1.5%	6.1%
Since-inception	5.7%	1.2%	7.0%

NFI-ODCE property return, NOI growth remains resilient in this cycle¹



Global forecasts driven by income

Interest and cap rates still matter, and forecasters project less movement than recent past



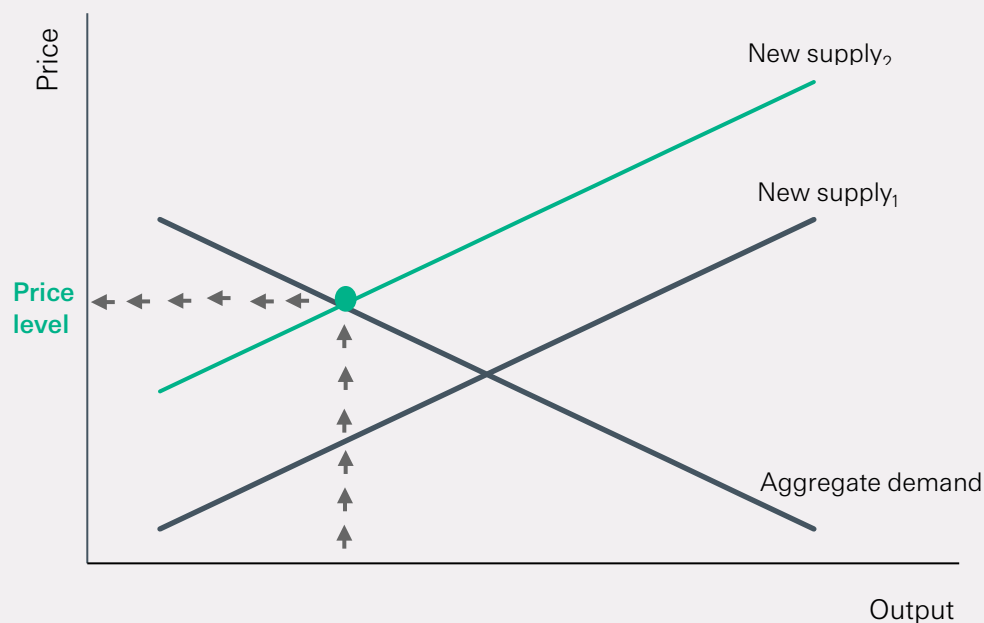
For illustrative purpose only.

1. PGIM Real Estate, NCREIF, CoStar, Green Street, as of October 2024. 2. MSCI, Cushman & Wakefield, PMA, CBRE, PGIM Real Estate, as of November 2024. 3. MSCI, JLL, PMA, PGIM Real Estate, as of November 2024. Average of total returns across office, retail and logistics sectors in Australia, Hong Kong, Japan, Singapore and South Korea.

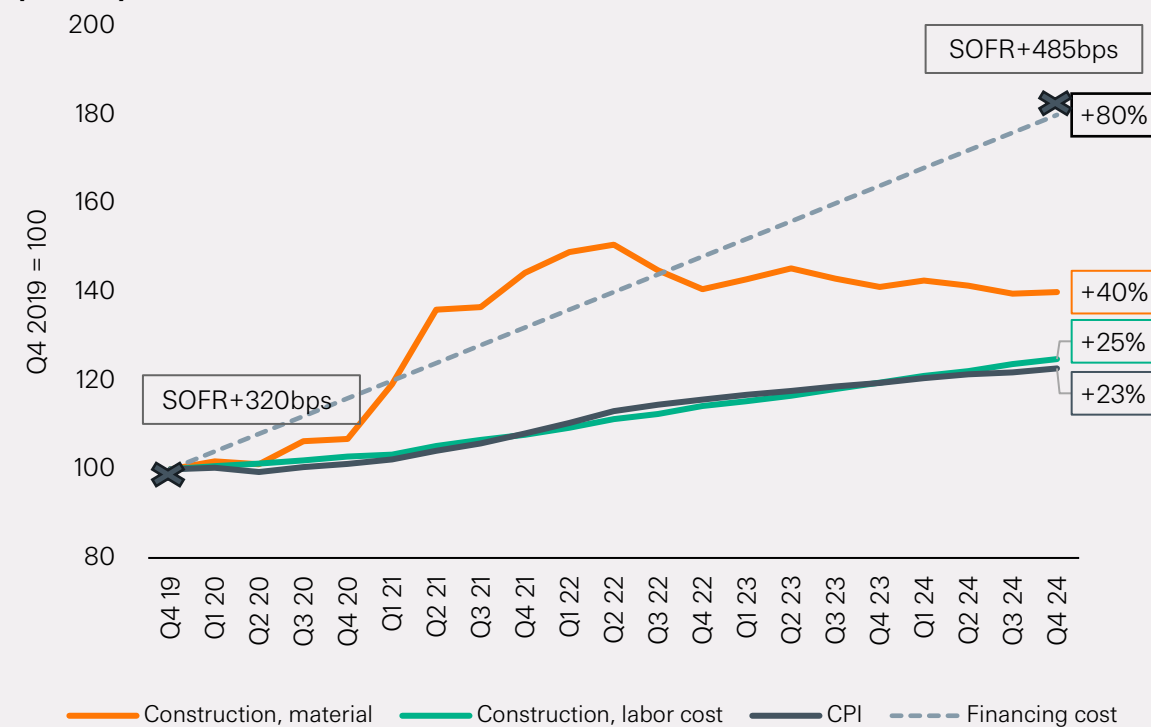
Rising cost of development implies less new supply

Over time, all other things being equal, this lifts rents and values

Basic supply and demand relationships apply



Materials and labor costs have risen, and financing cost almost doubled in the past 5 years



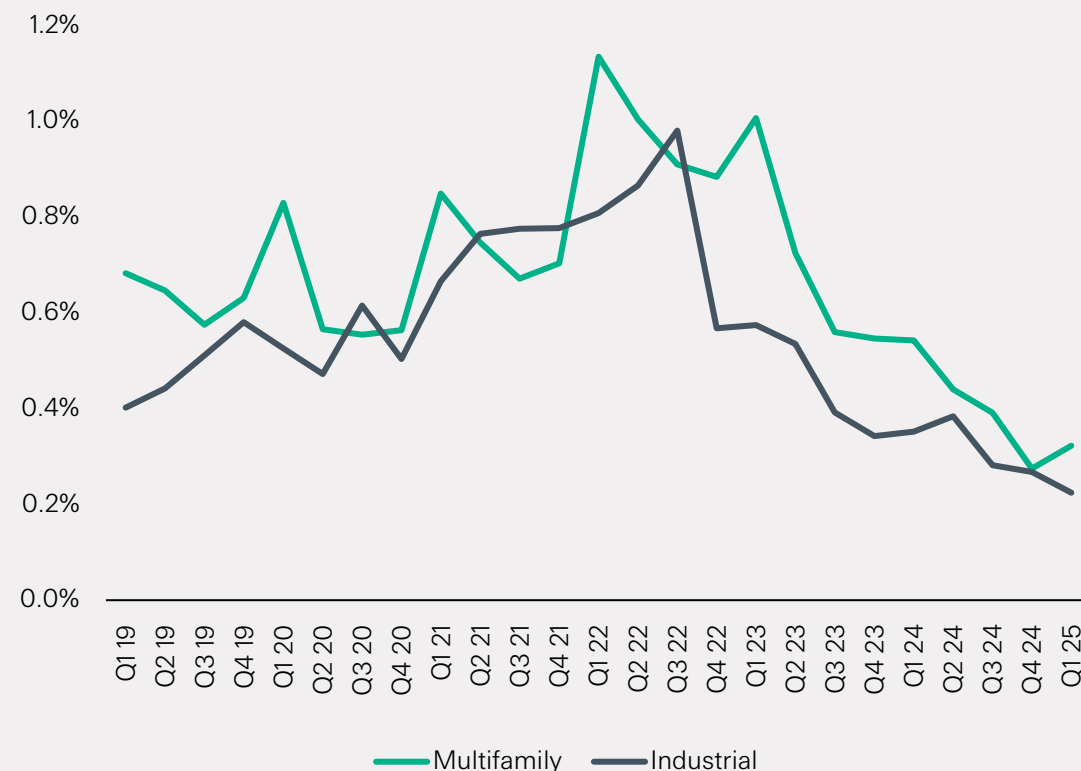
For illustrative purposes only. US data. Europe observed similar cost jumps in target markets, however input costs and, on the continent, financing costs have declined more as demand and interest rates declined.

Sources: U.S. Bureau of Labor Statistics, Oxford Economics, April 2025.

New supply has dropped, and may stay low

- High demand sectors and locations attract the most supply, lately multifamily and industrial
 - Funding costs jumped (and availability dropped)
 - Expected exit values dropped
 - Underwritten returns stopped making sense
- 2022 interest rate rise, plus climbing material and labor costs, triggered supply drop
 - Interest rates not expected to fall significantly
 - Tariffs increase materials costs
 - Immigration policy reduces construction workforce (up to 50% immigrants in certain markets), creating cost and availability issues

New construction starts in % of inventory



Development math: higher costs need higher rents

- Industrial example based on US averages (set to 100) shows cost rise of ~80% since 2019, required ~90% jump in rents to justify building (which has not occurred hence new supply dropped)
- While there was substantial rent growth during the period, it was eventually slowed by new supply. Usually construction then slows, new space is absorbed over time (now underway, likely taking another 6-18 months for industrial and multifamily absent policy changes), then rents grow and the cycle begins again. Outsized cost growth delays new construction and extends the period of rent growth

	2019	2025	Risks	
Land & site costs	\$35	\$61	↓	Down if rents weaken and up if they rise
Hard costs ¹	\$45	\$76	↑ ↑	Tariffs Potential labor shortage from immigration policy, onshoring activity
Soft costs ²	\$9	\$18	↑	Insurance
TI/LC costs	\$9	\$18	↑	Tariffs / tenant improvements
Financing / carry costs ³	\$3	\$9	? ↑	Interest rates Delays: labor shortage, materials, lease up, etc.
Total cost	\$100	\$180		
Stabilized cap rate	5.0%	5.5%		
YOC spread over FMV yield, bps	125	138		
Required yield on cost	6.25%	6.88%		
Required rent, annual	\$6.3	\$12.4	↑	

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purpose only. Sources: Clarion, LBA, Ares, Chatham Financial, April 2025. Cost growth is based on 6 representative properties from 6 markets.

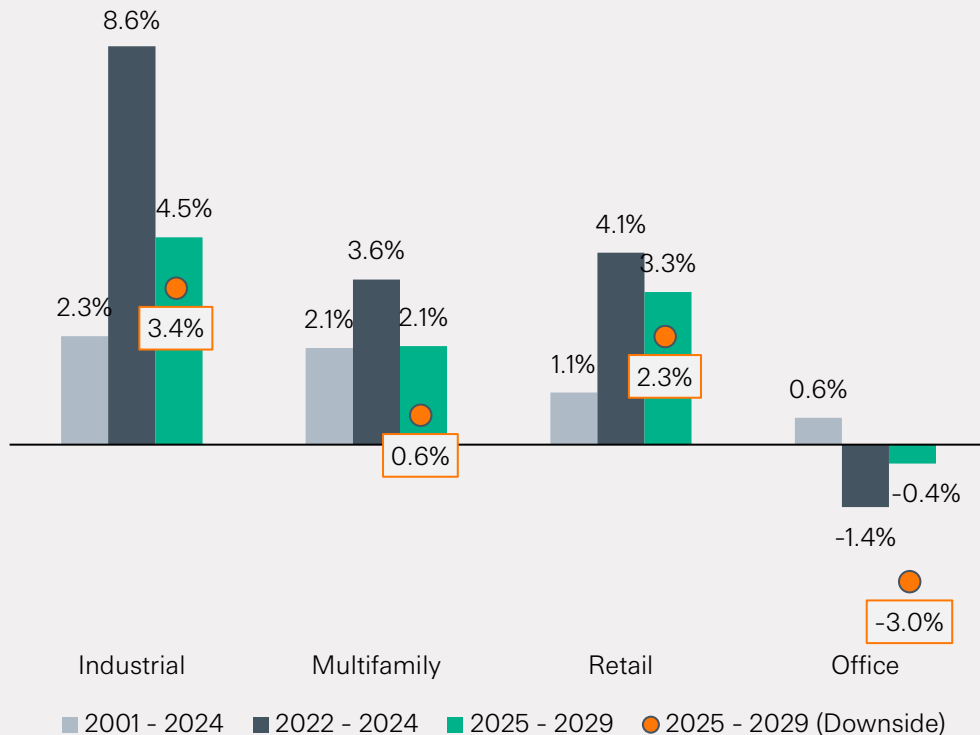
1. Hard costs include materials and construction labor.

2. Soft costs include architecture, engineering, legal/professional, government fees/permits, insurance, taxes, marketing, other fees et. Al. 3. 2019 Financing cost details – LIBOR+190, 0.55% closing costs, LTC 70%. 2025 Finance cost details – SOFR+280, 1.5% closing costs, LTC 60%.

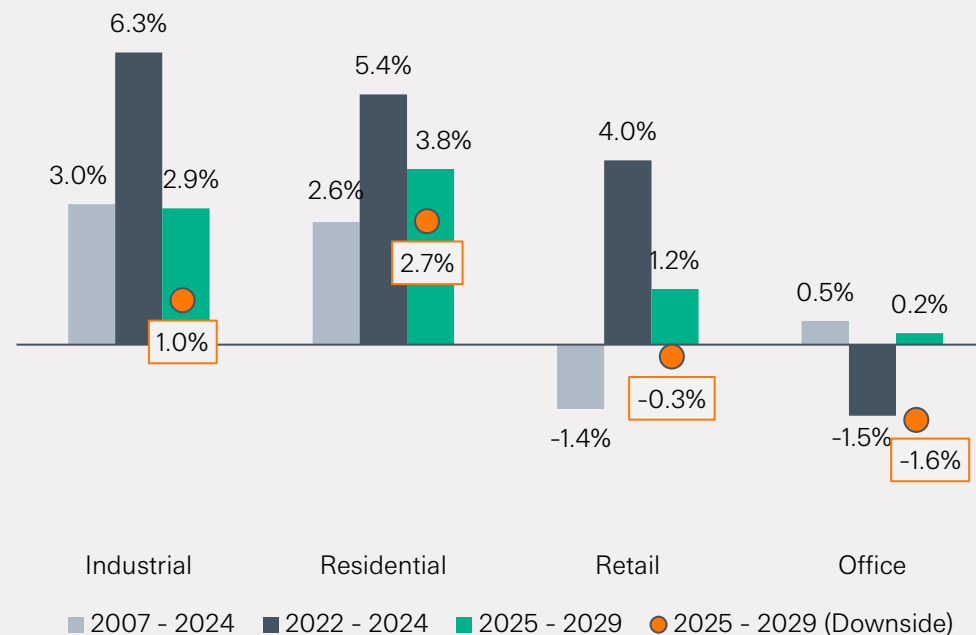
Property incomes generally expected to grow

Office still the exception. Industrial and retail NOI includes benefit of in-place leases rising to current market rates upon expiration

US annual NOI growth



Europe annual NOI growth

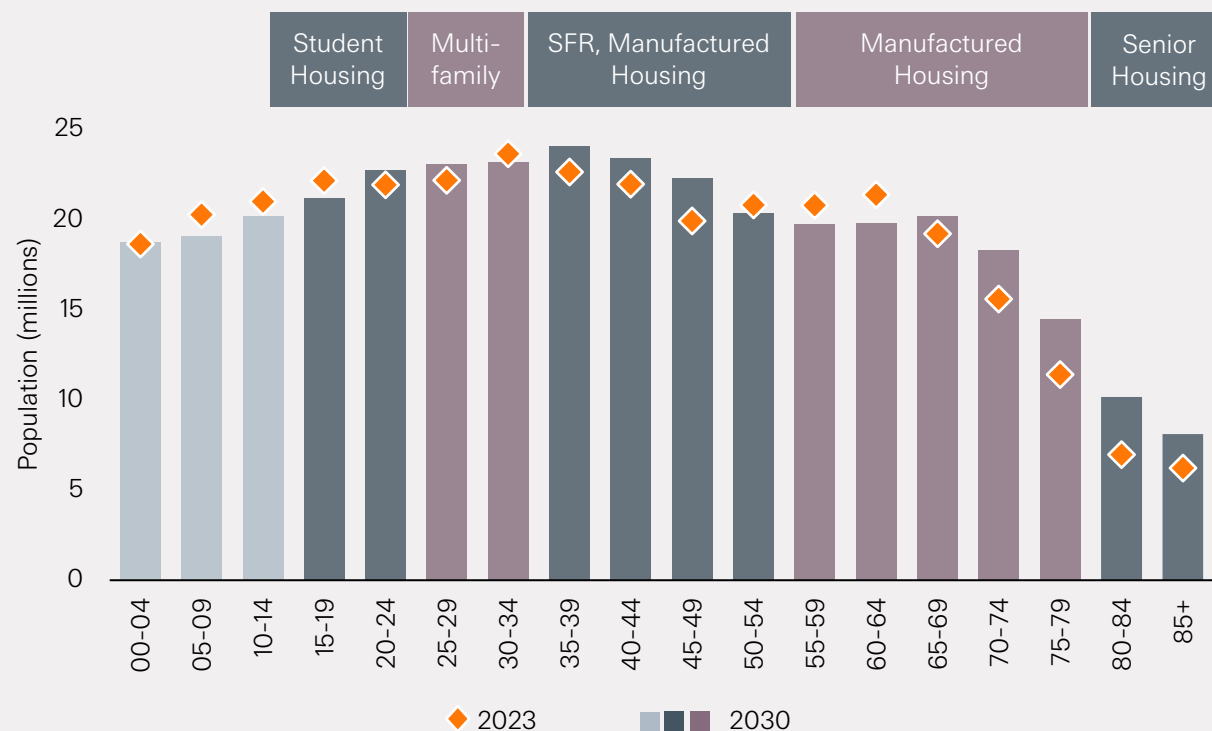


The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Source: Green Street, April 2025. Capex reserves include maintenance capex, leasing commission and tenant improvements. European capex includes green capex as well. European office capex is lower than US due to lower leasing commissions and higher rents.

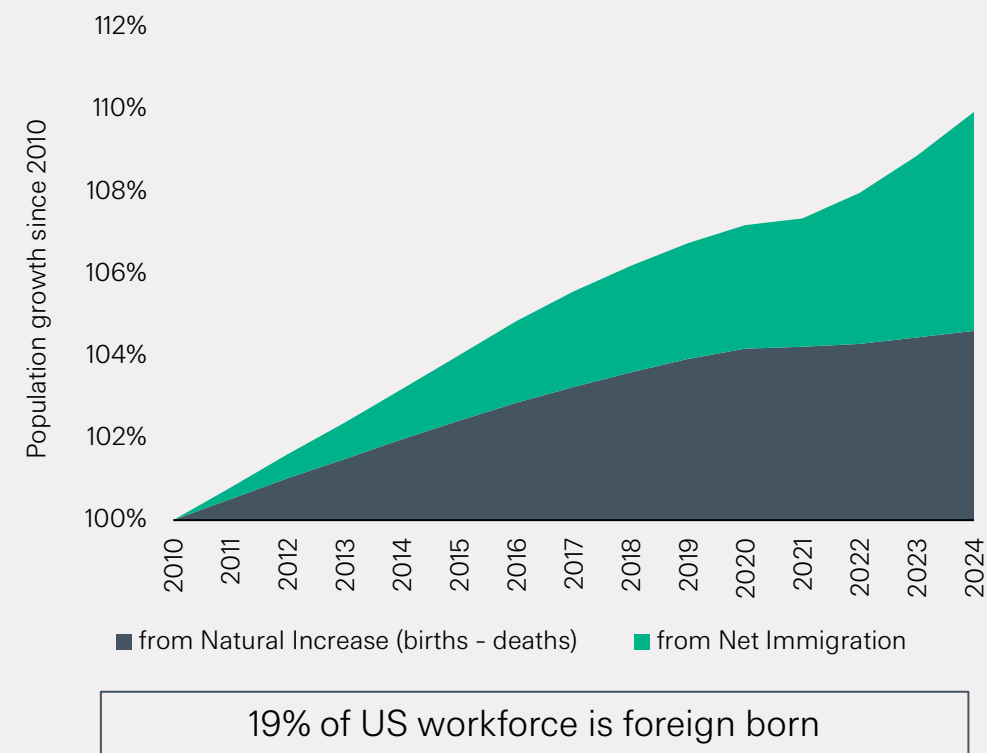
US demographics support demand across residential types

Aging helps demand for resi alternatives. Shrinking household size has bolstered multifamily demand despite flattening population growth in prime cohort (but this is cyclic). Less immigration may reduce demand

Demographic shifts support long-term housing demand



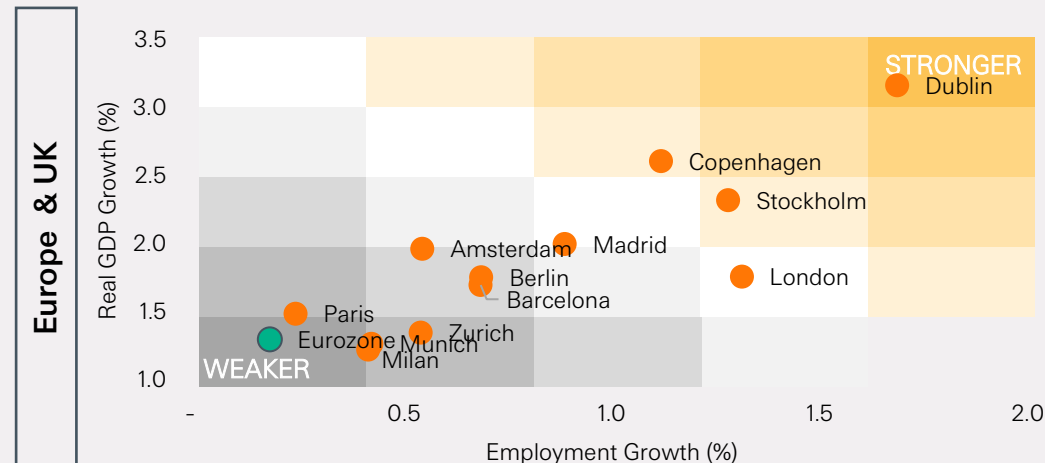
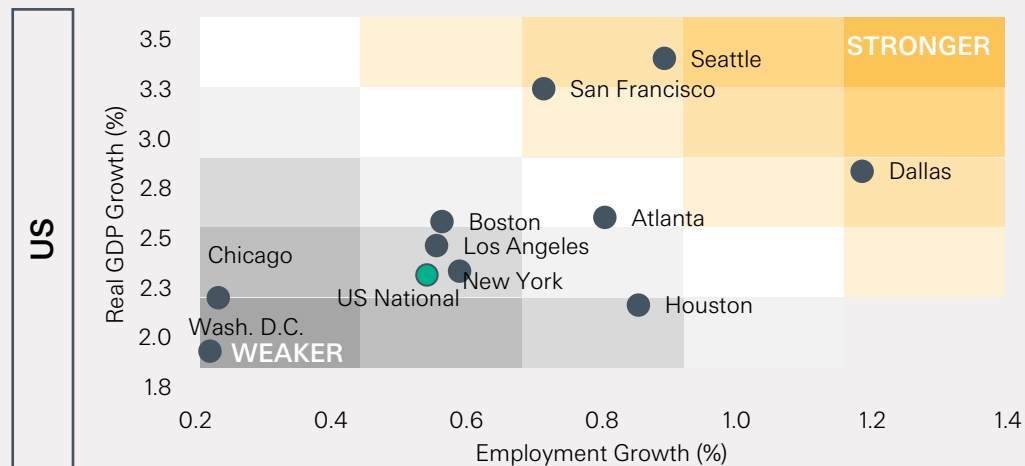
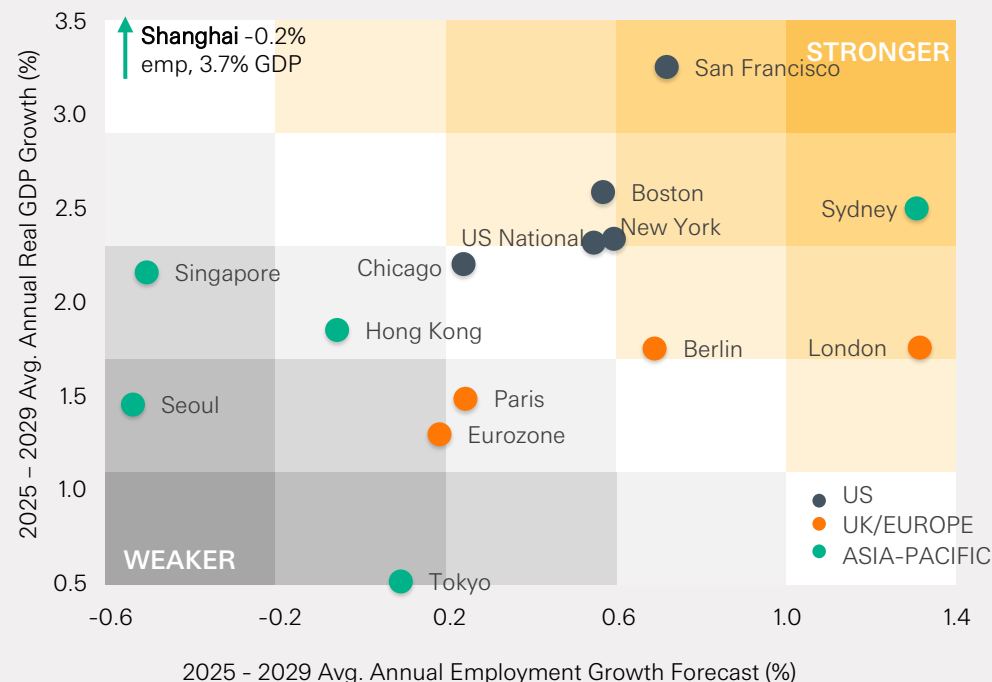
Immigration augments population growth



City growth impacts property income, prospects vary

US policy changes, too new to be fully incorporated here, are likely to drive further divergence

Employment and GDP growth prospects, key cities by region



Potential policy impact: US city growth, income

Low risk

Moderate risk

High risk

		POLICY IMPACT							POTENTIAL OFFSET		
		Tariffs		Immigration	Federal layoffs		International tourism				
Overall risk		Port exposure ¹	% of trade related employment ²	Foreign-born population and recent immigration ³	Planned cuts, imminent layoffs ⁴	Share of Fed employment ²	% of overseas tourism ⁵	Job growth forecast ('25 – '29) ²	Tech job growth participation		
High	Los Angeles		High	High			Moderate	Low			
	Houston		High	High			High	Low			
	Washington, DC		Low	Low			High	High			
Moderate	New York		High	Moderate			Low	Low			
	San Francisco		Moderate	Moderate			High	Low			
	Chicago		Moderate	High			Moderate	Low			
	Atlanta		Low	High			High	Moderate			
	Boston		Moderate	Low			Low	Low			
	Dallas		Low	High			High	Low			
Low	Seattle		High	Moderate			Low	Moderate			

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purposes only. 1. US Army Corps Engineers, 2020. 2 Oxford Economics, Green Street, April 2025. 3. Bureau of Economic Analysis, Migration Policy Institute, 2023. 4. Oxford Economics, US: Policy changes affect metros unevenly, April 2025. 5. U.S. Department of Commerce, ITA, I&A, NTTO, Survey of International Air Travelers, 2023.

Potential policy impact: US property type growth, income

All: Lower economic growth reduces space demand. Inflation lifts expenses, cuts spending, can limit supply and lift rents

Ex US: initial tariff disruption, possibly more benefit as trade and travel patterns realign away from US

Property type	Tariffs	Immigration	Fiscal / federal layoffs	US investment appeal
Industrial	▼ Reduced volume at ports ▬ Demand shifts over time ▼ Closer link to retail spending than in past		▼ Higher interest rates reduce housing-related demand	●
Residential		▼ Reduced population growth lowers demand	▲ Higher interest rates bolster rental pool	
- Multifamily			▼ Admin cuts for affordable housing programs	●
- Student housing		▼ Fewer foreign students	▼ May weaken universities	●
- Single family rental				●
- Manufactured housing				●
Office			▼ GSA and vendor tenancy drops ▼ May reduce medical office demand ▲ AI emphasis benefits tech markets ▲ Fed return to office mandate	●
Retail	▼ Front line inflation / spending hit, especially non-essentials ▼ May challenge retailer health		▲ Luxury retail could outperform	●
Hotel	▼ Less inbound foreign travel	▼ Above average immigrant work force ▼ Less inbound due to visa, entry challenges	▲ Luxury segment could outperform	●
Senior housing		▼ Above average immigrant work force	▬ Reinforces need for private pay	●
Data centers	▼ Outsized cost impact on equipment		▼ Reduced supply constraint if power more available	●
Life sciences	▬ Production shifts over time	▼ Above average immigrant work force	▼ Demand drop from funding cuts to NIH, university research	●



Capital markets

RE recovery underway, new cycle brings volatility

	2022	2023	2024	Peak-to-Q4 24	2025 YTD (May 13)
Public Indices (USD)					
Broad public equities: MSCI ACWI	-18.0%	22.6%	17.9%	18.6%	3.7%
Barclays Capital US Aggregate Bond Index	-13.0%	5.6%	1.2%	-7.0%	2.1%
US Public RE – All Equity REITs	-24.9%	11.4%	4.9%	-12.4%	0.4%
Global Public RE – EPRA/NAREIT	-23.6%	9.8%	1.6%	-14.8%	3.4%
Commercial Property Price Indices (unlevered)²					
US – Green Street CPPI, w/ODCE Weights	-15.9%	-10.3%	5.9%	-20.3%	0.3%
Europe – Green Street CPPI, w/ODCE Weights	-15.7%	-11.8%	0.9%	-26.1%	0.3%



Investors likely under-allocated to RE
May change amid volatile stock prices
Annual planning cycle means deployment changes lag



Property trading prices up slightly from trough
Private RE slightly expensive vs public RE and bonds per Green Street, likely dynamic amid higher public volatility

	2022	2023	2024	Peak-to-Q4 24
Core Fund Indices Total Return (levered)³				
US – NCREIF ODCE	6.5%	-12.7%	-2.3%	-19.1%
Europe – INREV ODCE	-1.3%	-10.4%	0.6%	-15.9%
Asia – ANREV ODCE	6.3%	-0.5%	-0.6%	-1.9%
Non-Core Fund Indices (levered)⁴				
Global – Burgiss VA/Opportunistic	2.0%	-6.5%	-3.6%	-12.5%



Decline in core valuations ending
Many valuations are still high; cautious underwriting of NAV and new cycle risk advised



Expect ongoing decline in non-core valuations
Recent vintage funds (2019–21) still generally held at cost

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2. Green Street CPPIs as of Q1 2025, w/ODCE Weights are reported in local currencies. Property type mix matches regional ODCE. Q1 EU and US GS CPPI return is weighted using Q4 regional ODCE property mix due to reporting lag. US: A quality assets; Europe A and B quality. See following core fund valuation pages (34 and 35) for more information on INREV ODCE vs GS.

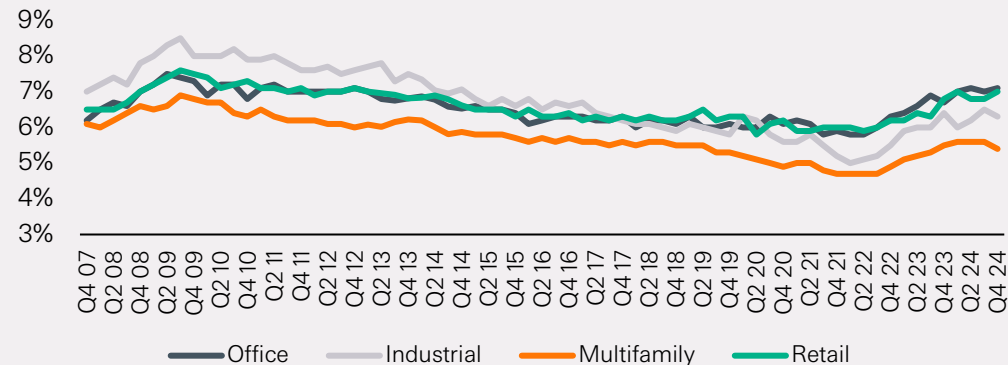
3. All Fund Indices' returns are net of fees and reported in local currencies. NFI-ODCE's LTV is 27% as of Q4 2024. INREV and ANREV ODCE LTVs are 25% and 32%, respectively, as of Q4 2024.

4. The average LTV for real estate non-core funds is 56% as of Q3 2024, based on SPI reporting.

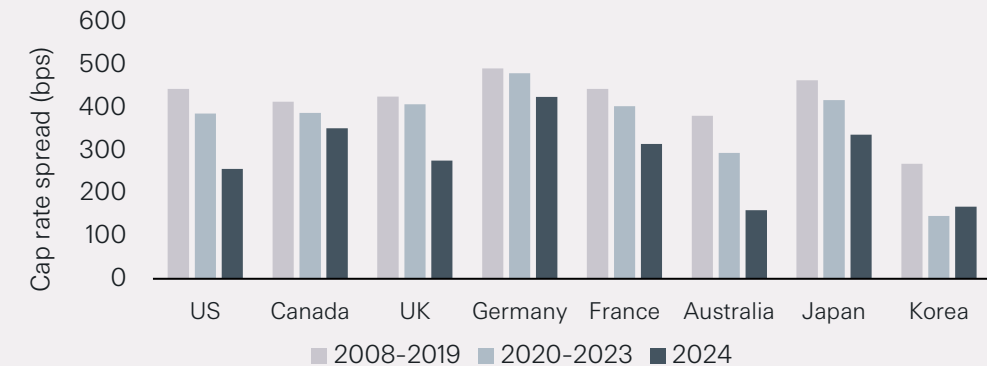
Cap rate spreads under pressure, remain thin

Industrial and multifamily saw material cap rate drops globally in 2024

Median global cap rate trends by property type



Overall cap rate spread to government bond yield by country (bps)



Source: MSCI Real Capital Analytics, April 2025.

1. Office, Industrial, Retail

Cap rate quartiles by largest property types, Q4 2024

Region	Property type (volume leaders)	Bottom quartile		Median		Top quartile	
		Cap rate	YoY Chg.	Cap rate	YoY Chg.	Cap rate	YoY Chg.
US	Multifamily	6.0%	0 bps	5.4%	-10 bps	4.9%	-10 bps
	Industrial	7.3%	0 bps	6.4%	+10 bps	5.4%	-10 bps
Europe / UK	Office	9.0%	+30 bps	7.2%	+20 bps	5.8%	+20 bps
	Industrial	7.1%	-32 bps	6.2%	-65 bps	5.1%	-35 bps

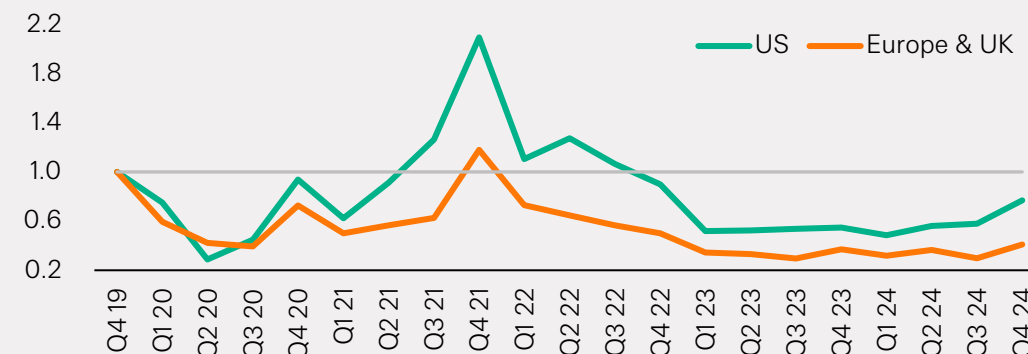
Global cap rate spreads by country, Q4 2024¹

Country	Cap rate	Spread	15y avg spread	Delta
US	7.0%	235	420	185
Canada	6.3%	321	408	87
UK	6.4%	215	425	210
Germany	5.5%	314	513	199
France	7.0%	256	444	188
Australia	5.8%	111	359	248
Japan	4.0%	304	454	150
Korea	4.7%	218	249	31

Transaction volumes recovering

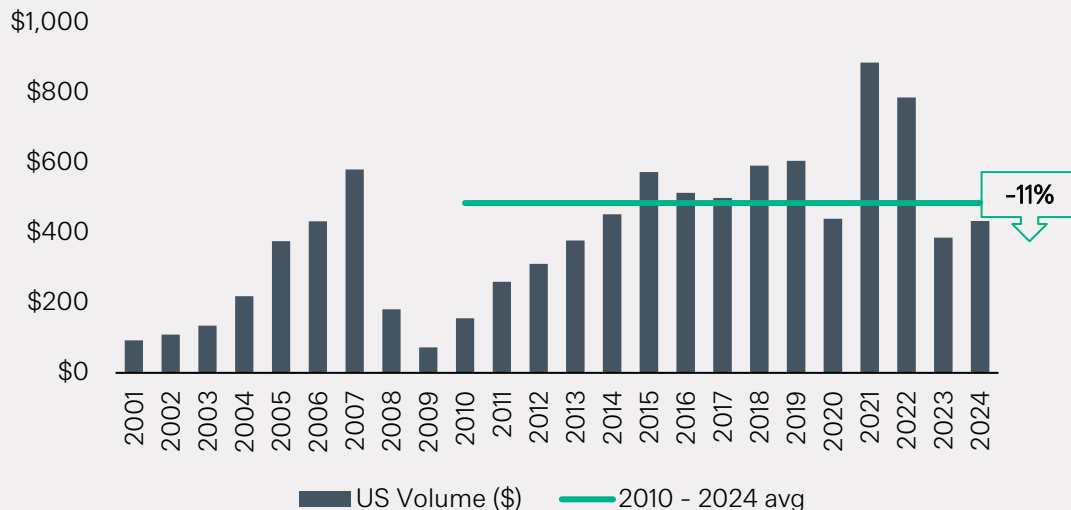
- Led by a strong fourth quarter in US, up 40% over Q4 23, Europe up only 11%
- Europe remains 28% below expansion period average. Low volume in Germany and France more than offset better volume in UK
- US trading dominated by multifamily and industrial, CMBS allowing larger transactions
- Office and industrial actively trading in Europe and APAC, multifamily rising
- Too soon for policy changes to be seen in closed deal volume
- *Reports of slower trading, especially US industrial and large deals due to tariff uncertainty. Lower volume likely with bidders using more conservative assumptions or pausing*

Quarterly transaction volume, relative to pre-covid level



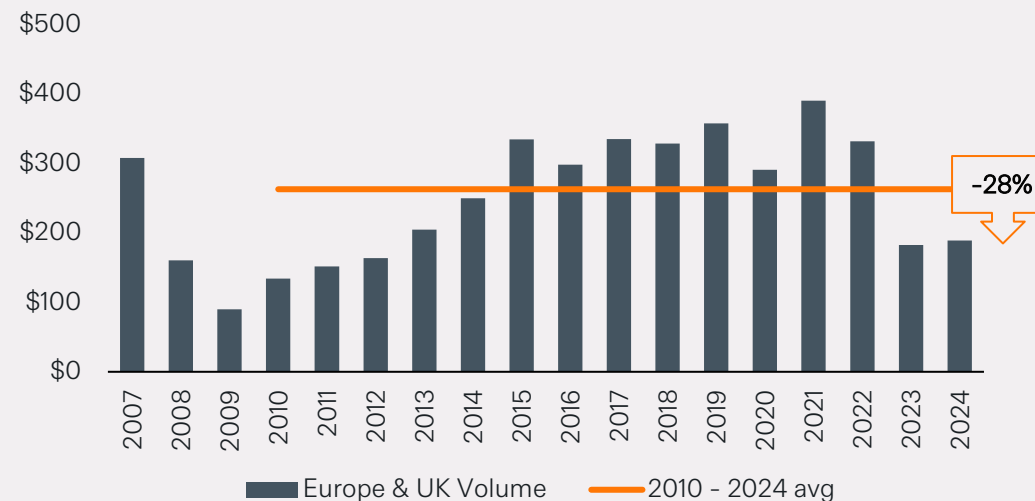
US annual transaction volume

\$ in billions



EU annual transaction volume

\$ in billions

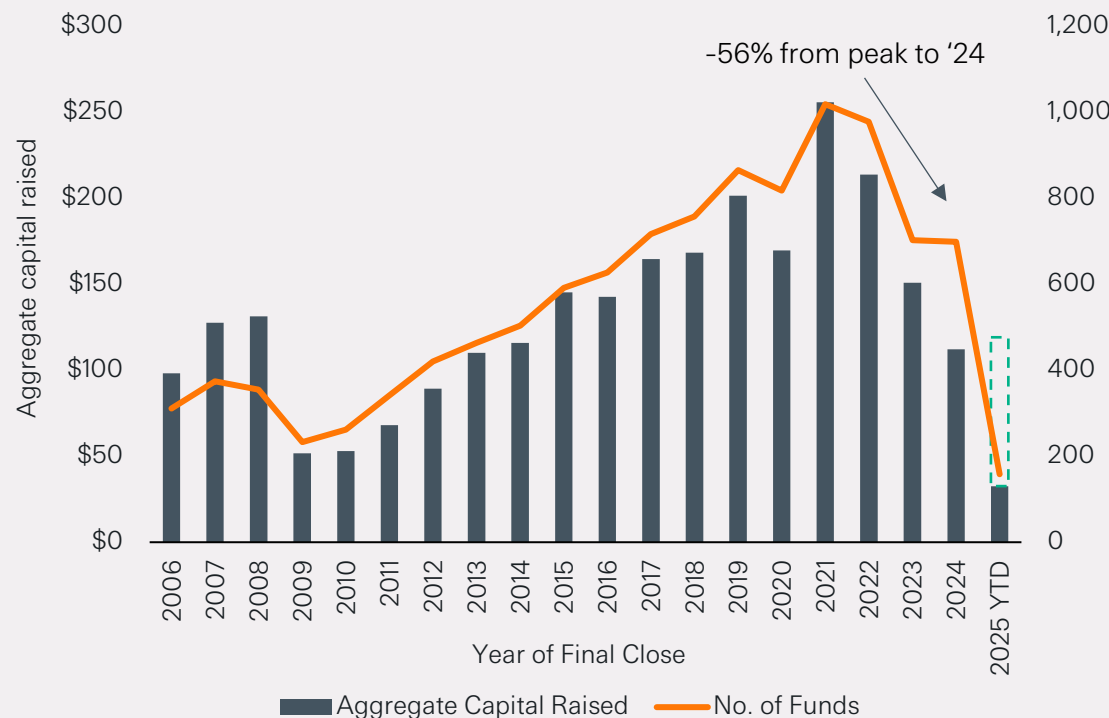


Non-core fundraising down, pressure to transact

- Capital calls are running 7% above long-term average, while distributions are still down 65% and may stay low due to potential decreased transaction volume
- Reduced distributions impact LPs' ability to re-commit to new funds

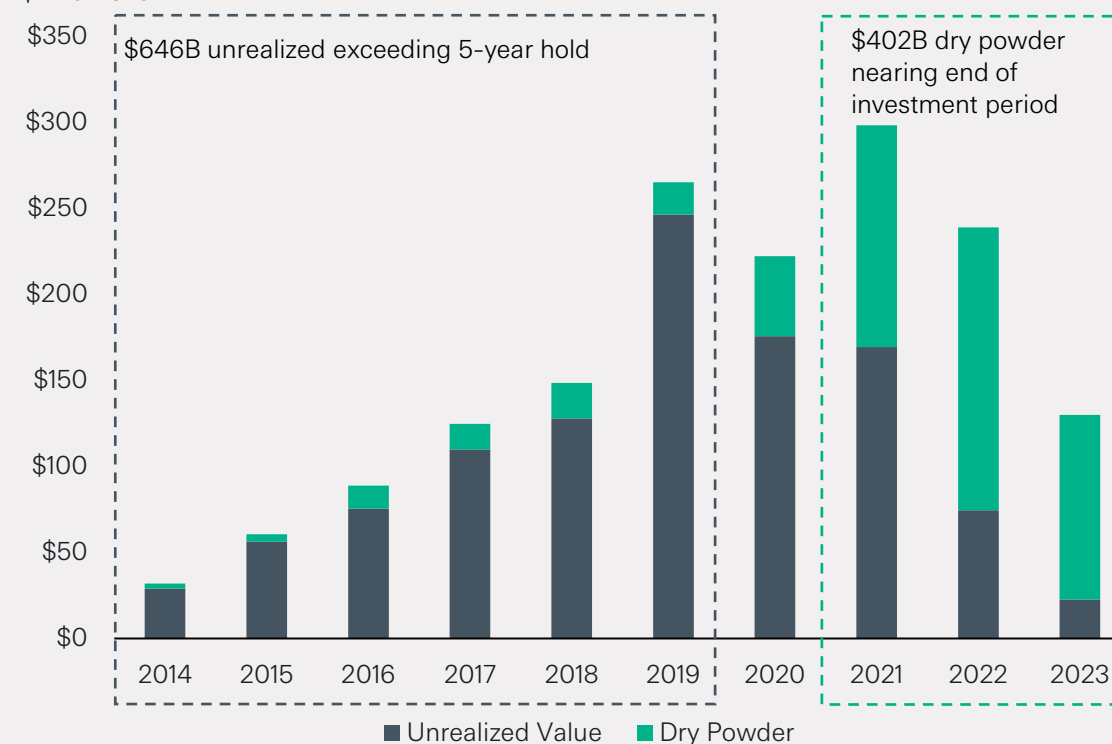
Global private real estate fundraising

\$ in billions



Global private real estate fund exposure by vintage

\$ in billions

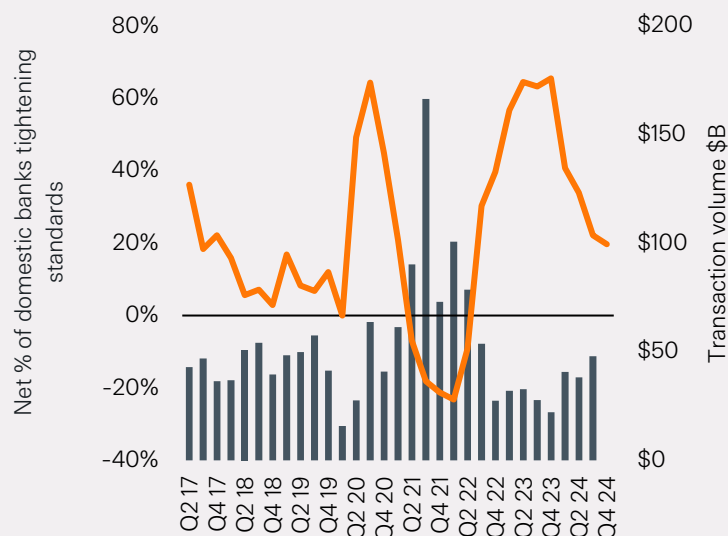


Lending availability improved and spreads declined

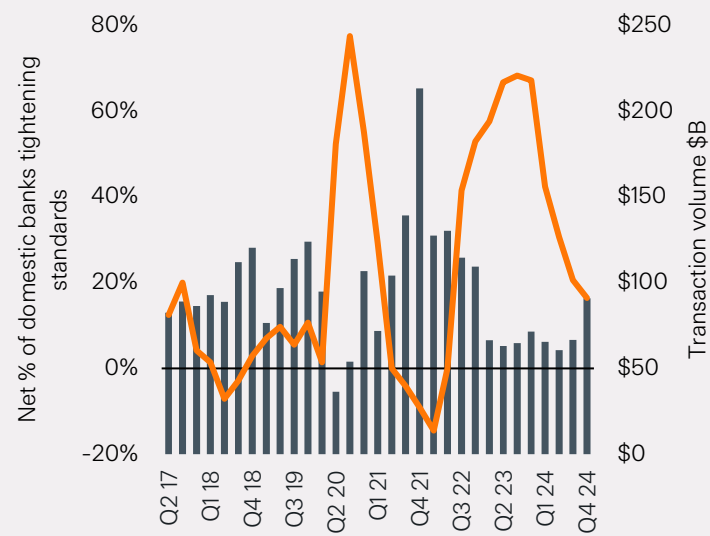
- High base rates remained the issue for borrowers before new uncertainty
- Leverage most accretive in continental Europe

	US		Continental Europe ³		UK ³	
	Q1 22	Q1 25	Q1 22	Q1 25	Q1 22	Q1 25
Spread	1.3%	1.5%	1.9%	1.5%	2.4%	2.0%
Base rate	1.5%	4.3%	1.0%	2.3%	1.5%	3.9%
Total cost	2.8%	5.8%	2.9%	3.8%	3.9%	5.9%

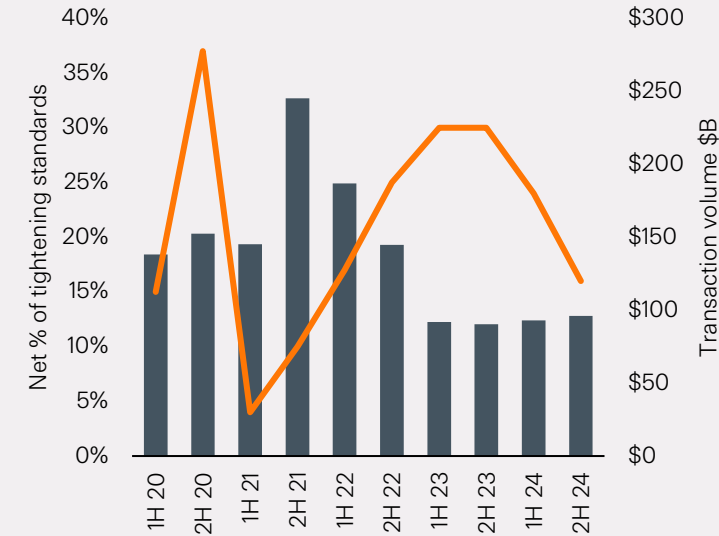
US apartment¹



US commercial¹



Europe commercial real estate²



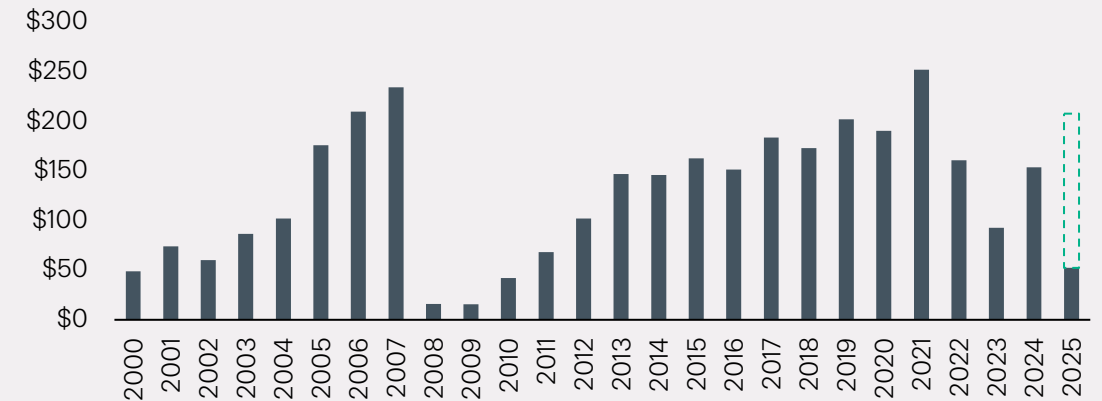
Source: 1. Board of Governors of the Federal Reserve System, MSCI RCA, March 2025. Net Percentage of Domestic Banks Tightening Standards for Business Loans = Percentage of Banks Tightening Lending Standards - Percentage of Banks Easing Lending Standards 2. European Central Bank: The euro area bank lending survey, April 2025. The net percentages refer to the difference between the sum of the percentages of banks responding "tightened considerably" and "tightened somewhat" and the sum of the percentages of banks responding "eased somewhat" and "eased considerably" 3. PGIM, borrowing cost quotes for stabilized multifamily property, April 2025.

Strong recovery in CMBS issuance; rising delinquencies

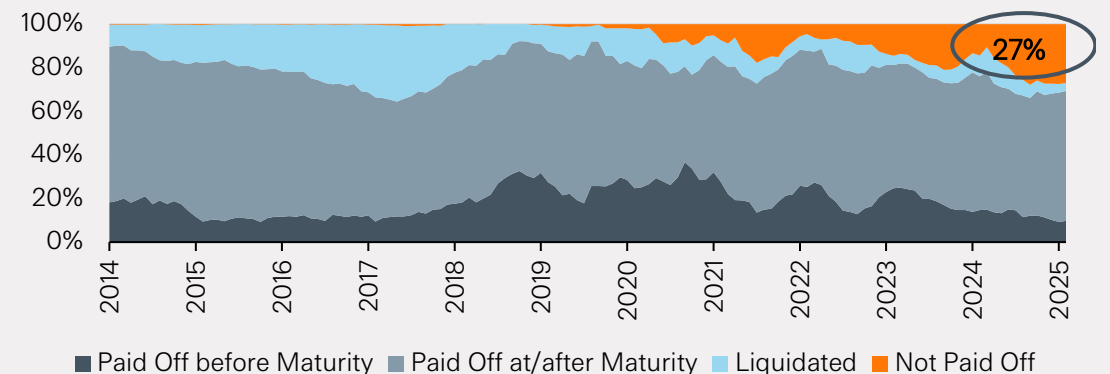
- The transparency of CMBS offers insight on the rest of the market
- Issuance rose in 2024, facilitating larger asset sales and refis
 - Single-borrower deals represented 66% of nonagency issuance, up from 50% in 2023
 - Issuance improved further in Q1, recording the fastest pace in more than 10 years
 - Office issuance surged Q1 25, surpassing very low totals for 2023 and 2024
 - AAA spreads narrowed, ending 2024 at 79. They have since risen but remain well below 2023 peak of 190
- Delinquency rose in March to 6.7%, still well below GFC peaks of over 10%
 - Multifamily driving increases, from 1.8% to 5.4% over past year
 - 27% of matured loans have not paid off

CMBS annual issuance

\$ in billions



Trailing 6 mo. Conduit CMBS payoffs and liquidation by maturity¹



Source: Green Street, Trepp, April 2025. 1. Not paid off includes non-performing matured balloon, REO and in foreclosure, and loans in process of modifications. Dispositions/Liquidations of collateral assets can lead to recoveries at or below par.

A low-angle, upward-looking photograph of a modern building's glass and steel facade. The image is split vertically: the left half shows the actual building with its complex geometric glass panels and dark metal frames, while the right half is a solid dark blue-grey color. A bright yellow horizontal bar runs across the middle of the image, separating the text from the bottom section.

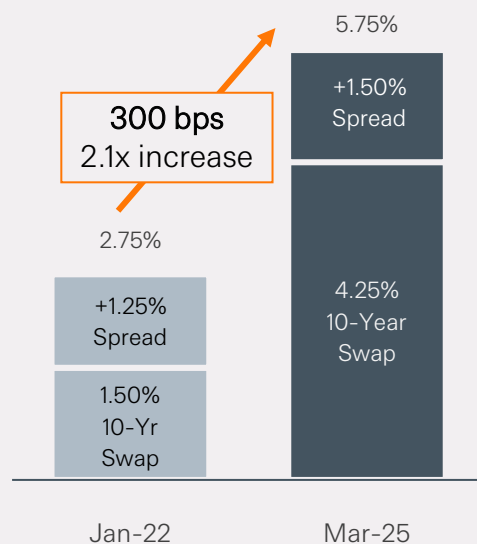
Ongoing workout opportunity

Higher interest rates drive the need for recaps

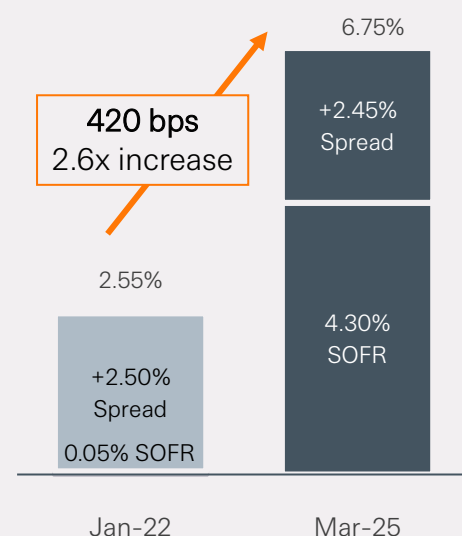


Higher interest rates mean lower financing proceeds. Many leveraged owners face funding gaps, or 'cash in' refinancing, still not fixed from 2022 rate jumps

Loan cost: fixed¹



Loan cost: floating²



	Jan-22	Mar-25	Owner options:
Property value	\$100M	\$82M	
Equity			A. Fund it
			or
Debt	\$70M	\$52M	B. Recapitalize it
			or
			C. Sell it via direct sale or default/lender sale
NOI (\$)	\$4.5M	\$4.5M	
Cap rate	4.5%	5.5%	
Cost of debt	2.8%	5.8%	
DSCR	2.3x	1.5x	
LTV	70%	62%	

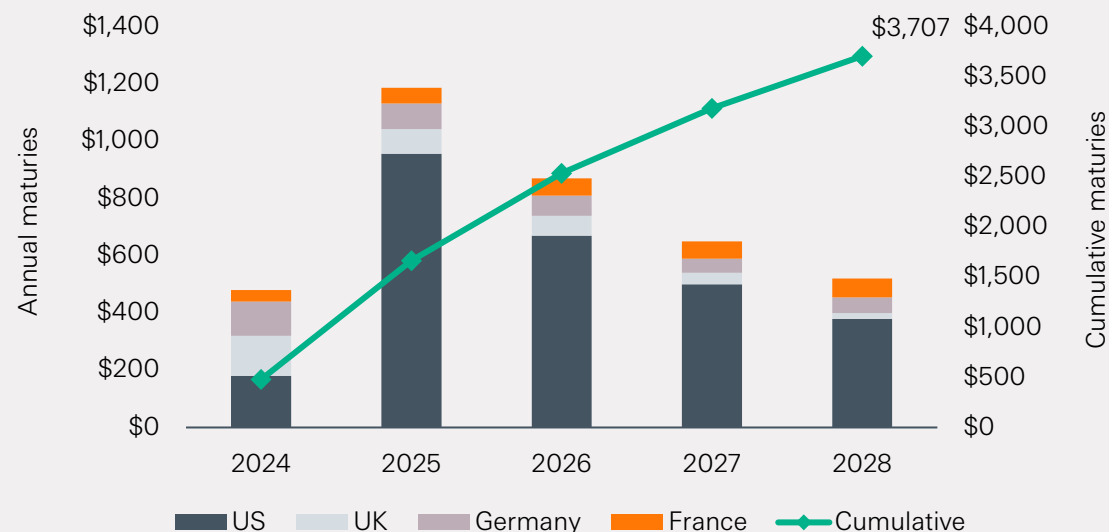
The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Sources: StepStone data, March 2025.

1. Fixed loan cost for stabilized multifamily at 50% to 59% loan-to-value. 2. For illustrative purposes, floating rate example does not consider a SOFR cap. Floating loan cost for transitional multifamily at 65% loan-to-cost and acceptable debt yield.

Sizable near-term maturities pushed out, not solved

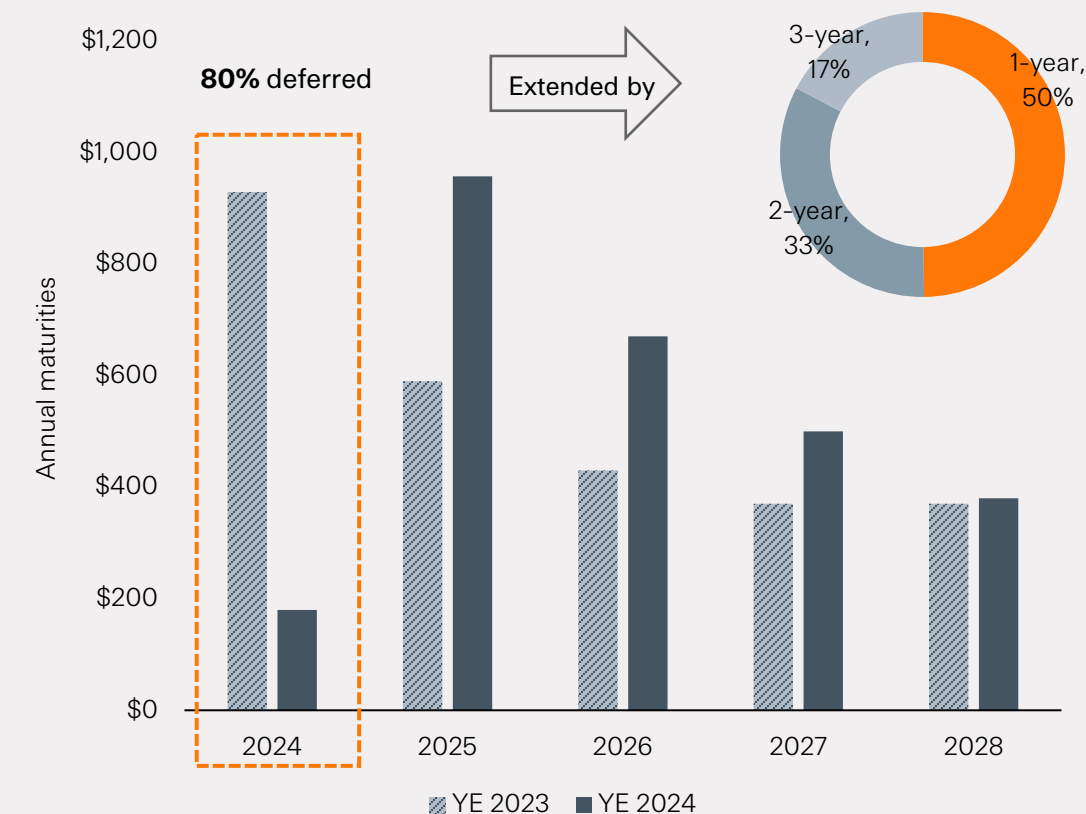
Commercial / multifamily mortgage maturities¹

\$ in billions



Kicking the can down the road: US 2024 maturities pushed further out²

\$ in billions



- Recap need likely to persist with higher rates and \$3.7 trillion of maturities
- CMBS data (on earlier page) shows 27% of matured debt has not paid off. 80% of private loans shown here have been deferred
- 35% of hotel/motel loans and 24% of office loans are due in 2025

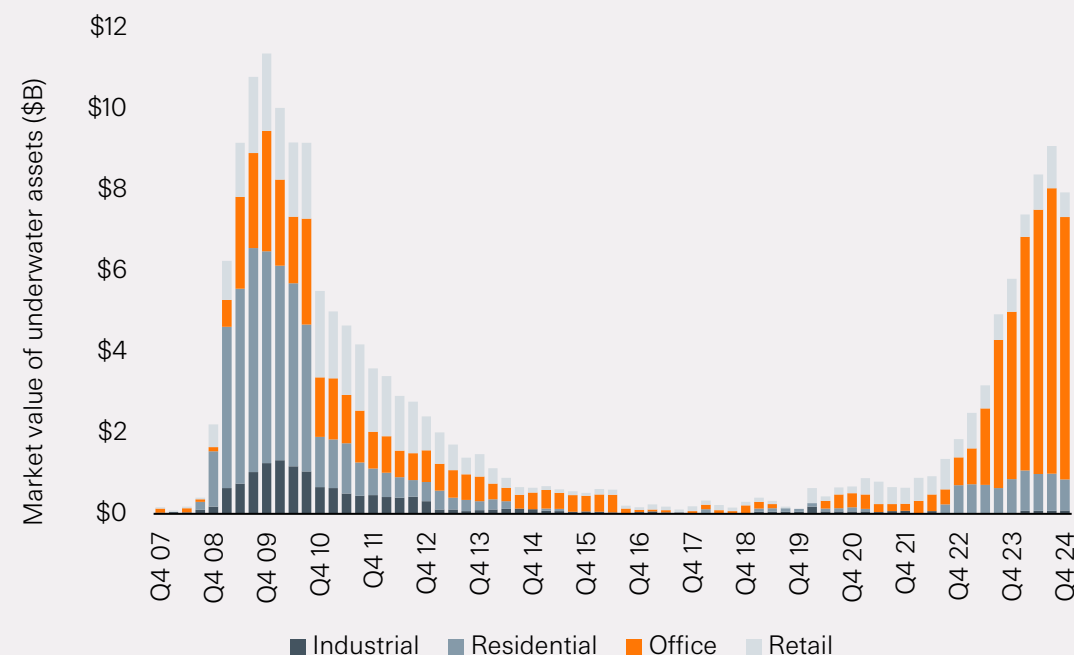
1. US data is sourced from MBA, February 2025. European data is sourced from PGIM, November 2024.

2. Estimated by annual maturities report from MBA.

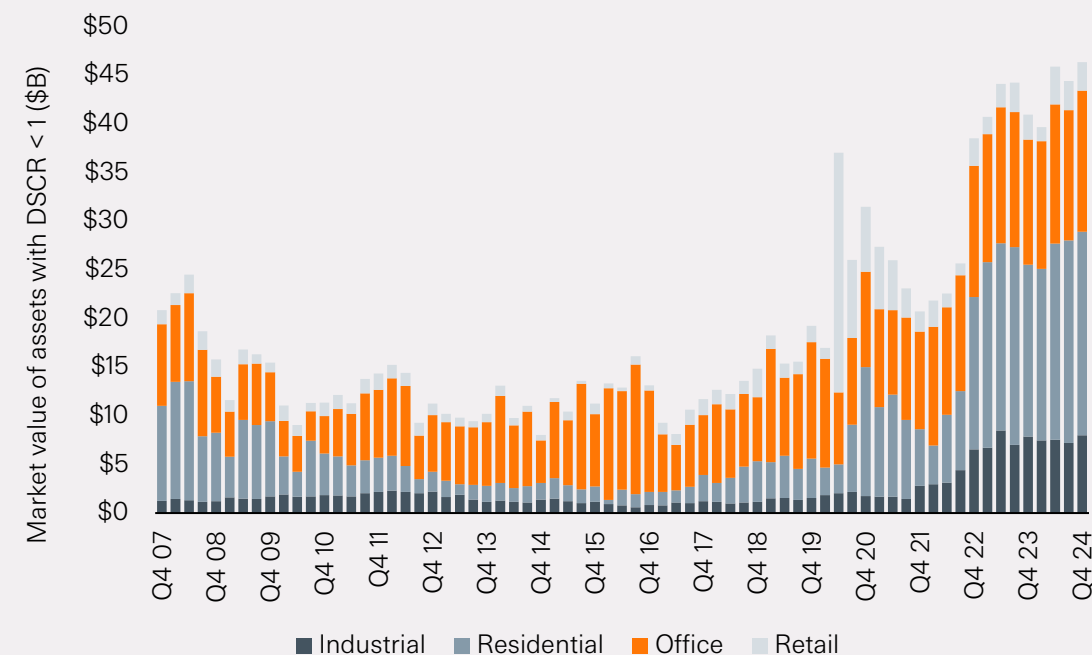
Loan-level detail points to large pool of potential distress

- The total value of assets with carrying values below loan values ("underwater") totaled nearly \$8 billion as of Q4
- Coverage ratios are deteriorating. Residential represents the greatest share. Unlike post-GFC era, declining rates are not likely to solve the problem. Most NPI properties are held for income, likely to have mid- to long- term fixed rate debt

NPI underwater assets, over 80% of which are in office



NPI asset value with DSCR below 1: led by residential, office

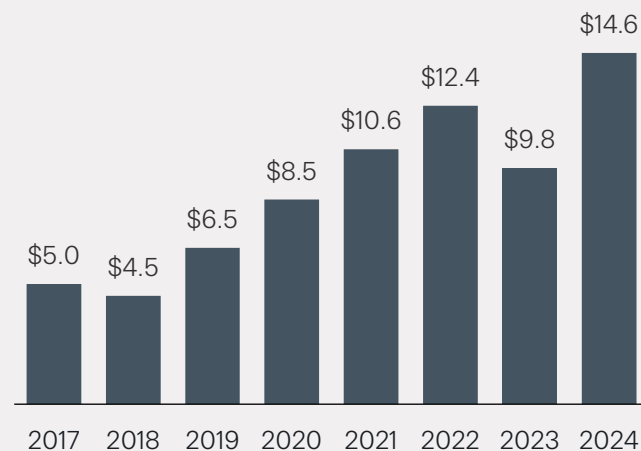


The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Source: NCREIF NPI, Hines, March 2025. Levered properties with outstanding balance exceeding carrying value are considered underwater. At the beginning of the crisis at Q2 2022, the average occupancy for NPI levered assets was 93% and LTV was 42% (now 50%). Mainly via higher leverage, the NPI extends somewhat beyond the core level risk of NFI-ODCE index, but does not include assets with non-core (transitional) strategies.

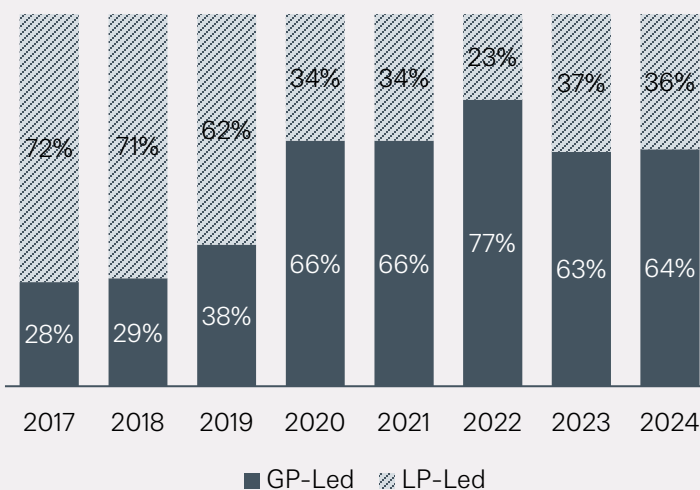
Secondary sales growth rising

- GP led secondaries utilized to manage funding gaps and address LP liquidity requests
 - Reported GP led transactions totaled \$9.3 billion in 2024, up 52% from 2023
 - Numbers are likely understated because GP led secondaries trading is bespoke and may go unreported
- LP secondaries volume and pricing still low
 - Investors selling funds with weak outlook, especially office, that are not trading
 - Inflated carrying values (NAV) mean buyers need higher discounts; resulting low offer means fewer deals are closing

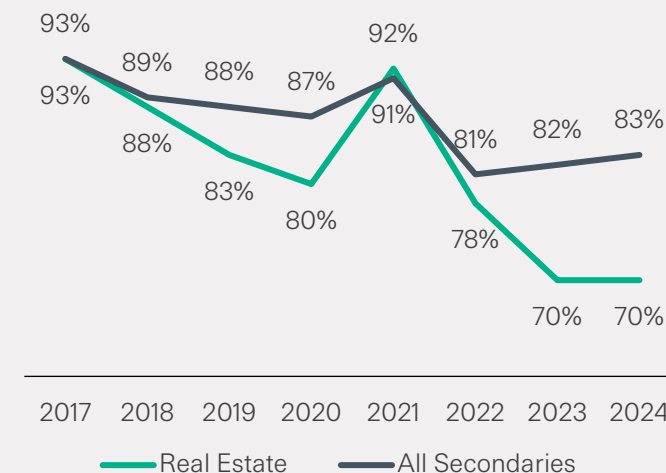
Global real estate secondaries volume
\$ in billions



Share of real estate secondaries volume by type
% of global volume



Global secondaries pricing as share of NAV





Funds

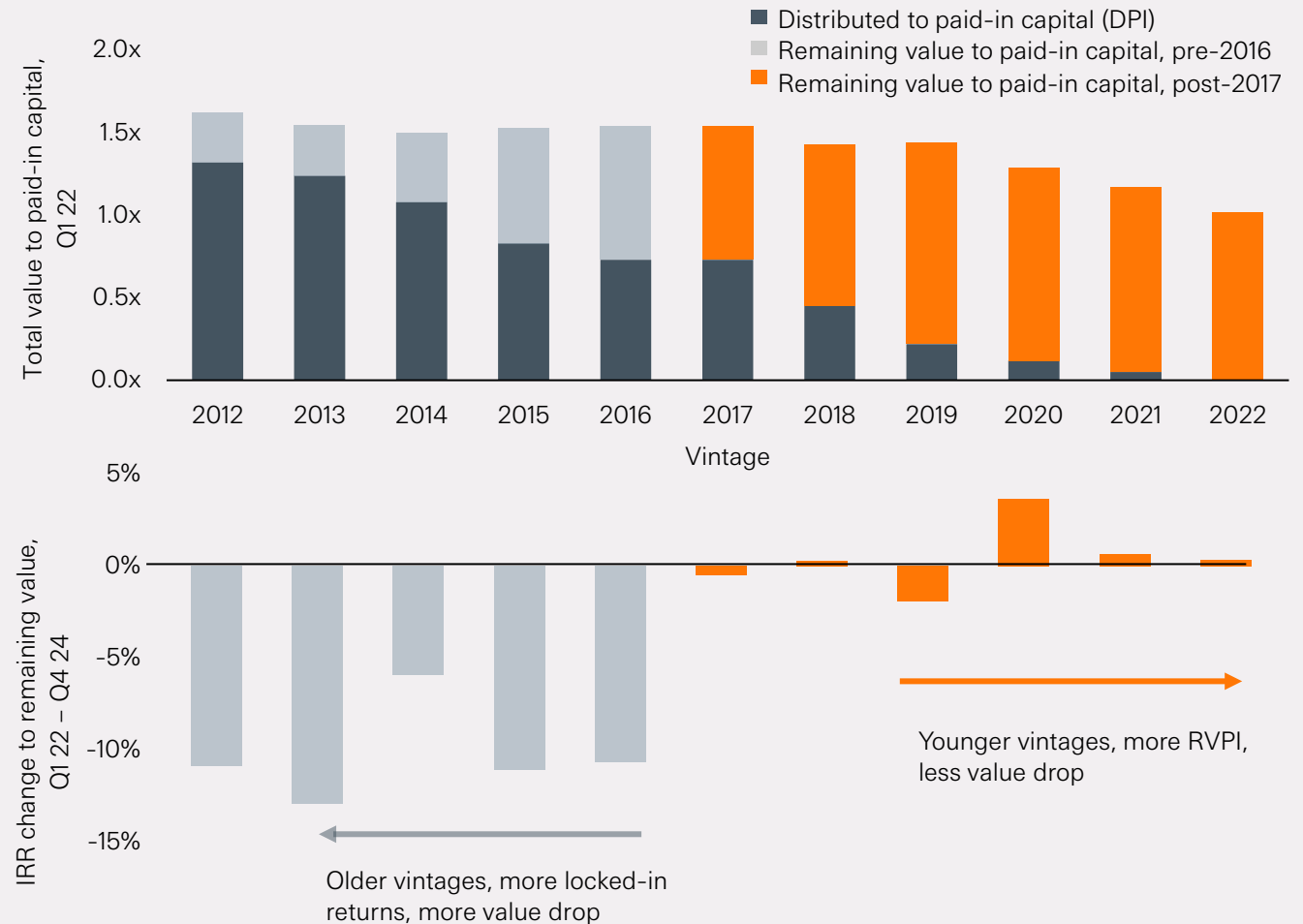
Many non-core funds haven't reflected market price drop

Newer vintages have:

- Fewer realizations
- Minimal valuation changes, so many assets held at or near cost
- Highest exposure to peak pricing, lowest cost leverage and resulting funding gaps

Older vintages have:

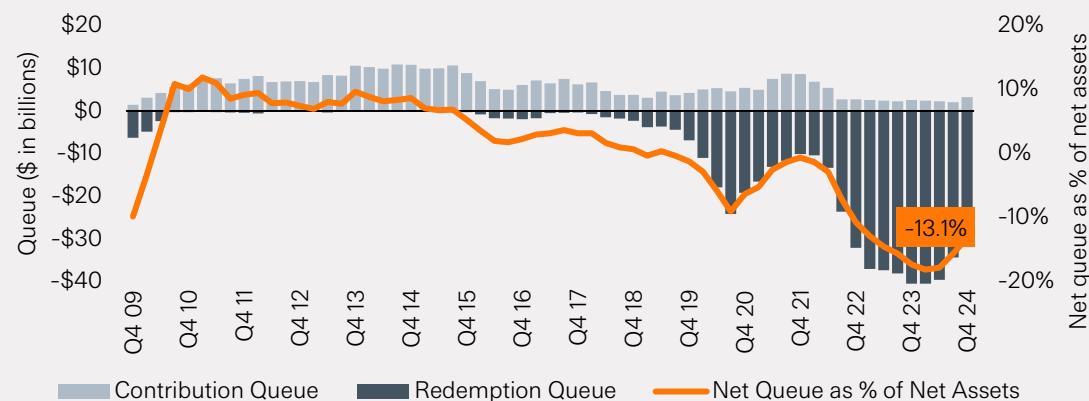
- Substantial realizations to lock in total fund returns
- Sizeable drops in remaining value, in some cases triggered by sales



US open-ended fund queues lower, still at historic highs

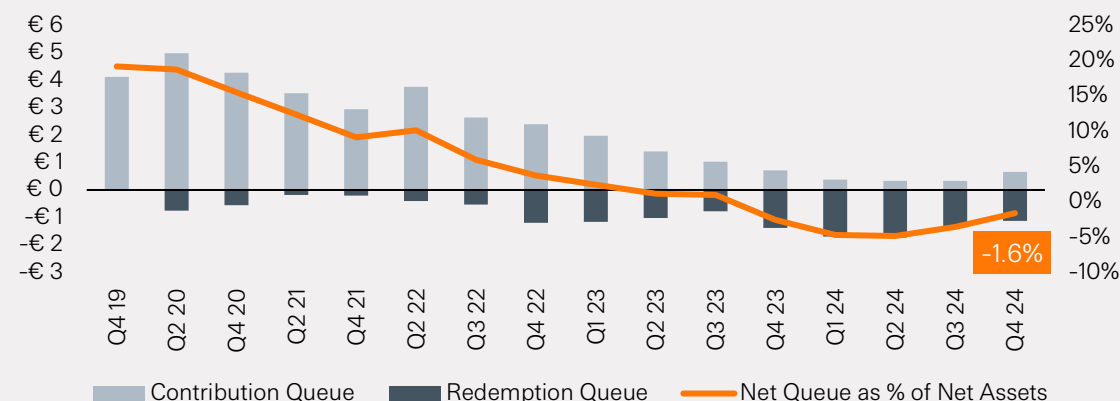
Unlike Europe where queues have been minimal. In both places, some funds have lower redemption queues and are getting inflows, others have persistent, large queues

US: NCREIF ODCE fund queues, Q4 24



Fund level net redemption queue as % of its NAV	# of Funds	% of total queue
No net redemption	2	0%
Under 10%	11	33%
10% - 20%	4	12%
Over 20%	8	55%
Total	25	100%

Europe: INREV ODCE fund queue, Q4 24¹



Fund level net redemption queue as % of its NAV	# of Funds	% of total queue
No net redemption	8	0%
Under 10%	4	8%
10% - 20%	3	92%
Over 20%	0	0%
Total	15	100%

Source: StepStone Real Estate Manager Surveys data, April 2025.

1. Based on 15 out of 16 INREV ODCE constituent funds.

Open-ended fund valuations exceed asset trading prices

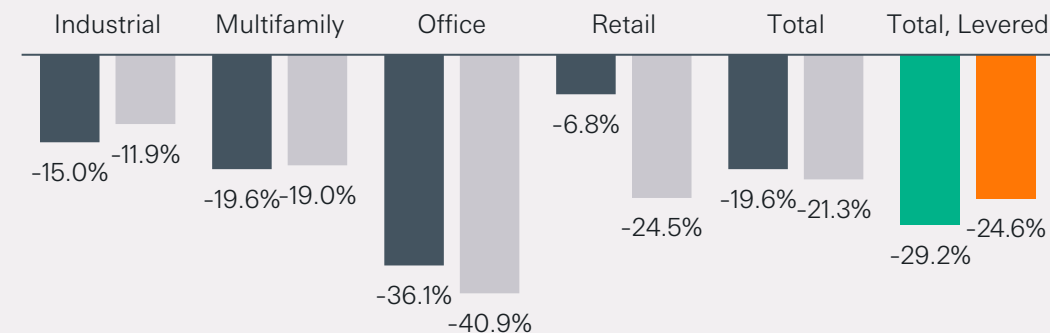
- NAVs around 5-10% above trading prices per Green Street's analysis. Variations in portfolio assets and valuations will drive increasingly divergent performance by fund
- European funds have less reported exposure to problematic office and more accurate valuations. European CPPI includes lower quality properties than funds (unlike US), so cap rate comparison on following page is more reliable

Capital returns as of Q4 2024

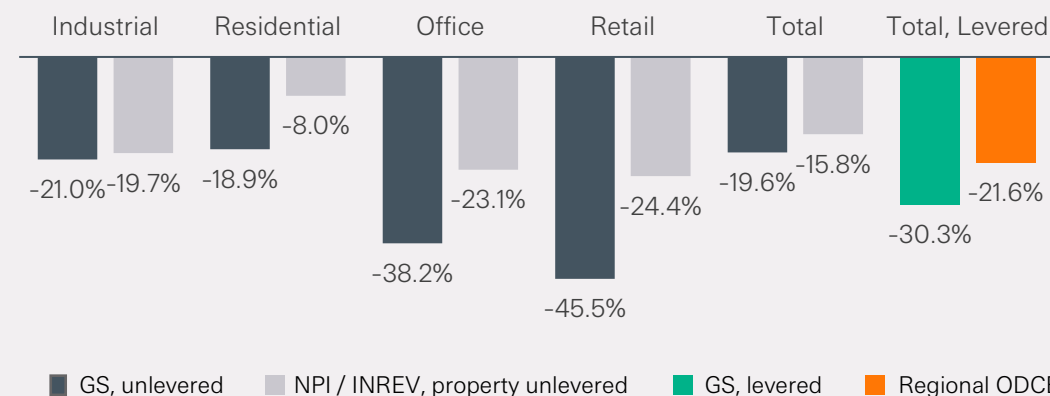
	Peak-to-12/31/2024	LTV %	Exposure to office
US			
GS CPPI w/ODCE Weights, Levered ¹	-29.2%	26.8%	15%
NCREIF ODCE Capital Return	-24.6%	26.8%	15%
Europe			
GS CPPI w/ODCE Weights, Levered ¹	-30.3%	24.6%	31%
INREV ODCE Capital Return	-21.6%	24.6%	31%

Peak-to-current value decline, ODCE² vs GS³

US⁴



Europe / UK



Sources: NCREIF, INREV, Green Street, SRE calculation, March 2025. US index returns in USD and Europe index returns in local currency.

1. US Green Street CPPI Levered returns are estimated with regional ODCE's LTV. Borrowing costs are estimated assuming 70% fixed rate and 30% floating rate, where fixed rate is based on SRE manager survey as of Q4 2024.

2. GS CPPI peaked Q1 2022 while NFI-ODCE index peaked Q2 2022. Peak quarter varies across sectors. Notably US NPI Retail peaked Q1 2018. Europe GS Retail peaked Q1 2017.

3. GS CPPI for European Office includes prime and non-prime assets; overstates loss on prime assets.

Core fund valuations do not reflect market cap rates

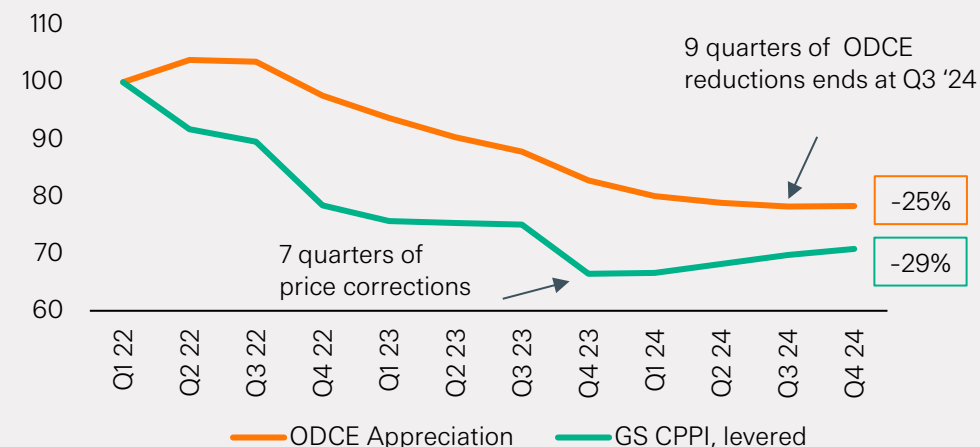
US

Sector	ODCE appraisal cap rate ⁵	Market cap rate		Borrowing cost	ODCE exposure
Industrial	3.8%	5.2%		6.1%	37%
Multifamily	4.3%	5.2%		6.0%	28%
Office	6.4%	Class A: 7.9%	Class B: 10.7%	7.7%	15%
Retail	5.5%	Retail: ex-Mall 7.0%	Mall (Grade A): 7.9%	6.3%	11%

Europe / UK

Sector	ODCE appraisal cap rate ¹	Market cap rate – prime ²	Market cap rate – all ³	Borrowing cost	ODCE exposure
Office	4.6%	4.6%	7.0%	4.9%	33%
Industrial	5.0%	5.0%	6.0%	4.6%	31%
Residential	3.9%	4.3%	4.5%	4.5%	17%
Retail	6.0%	4.4%	8.3%	5.4%	15%

US pricing – ODCE vs. GS CPPI (at ODCE leverage)⁴



- While a roughly 50 bps gap between the two indices is normal, the actual differentials far exceed that. Some GPs are now marking up their portfolios
- European pricing is much more aligned at cap rate level. Individual fund level returns diverge more than US

Sources: NCREIF, INREV, Green Street, CoStar, CBRE, Cushman & Wakefield, Catella, April 2025. Europe market cap rates weighted by ODCE country and sector mix. US borrowing rates from Chatham lending market overview Q4 2024 applicable to secured fixed rates. US Retail borrowing cost of 6.3% is for grocery anchored.

1. Value-weighted appraisal cap rates reported by 13 out of 16 ODCE funds, as of Q4 2024.

2. European residential market cap rates as of Q3 2024.

3. Net Initial Yield from Green Street, inclusive of purchasing costs as of Q4 2024.

4. US GS CPPI weighted by NCREIF ODCE property mix.

5. Limited to operating assets with 75%+ occupancy. US ODCE Q2 2024 appraisal cap rates for operating assets - Industrial: 3.8%, Multifamily: 4.3%, Office: 6.7%, Retail: 5.4%



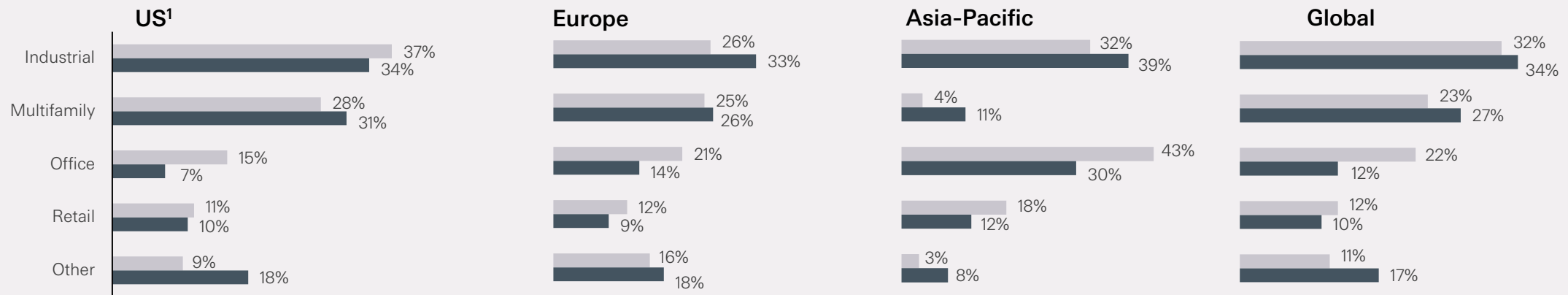
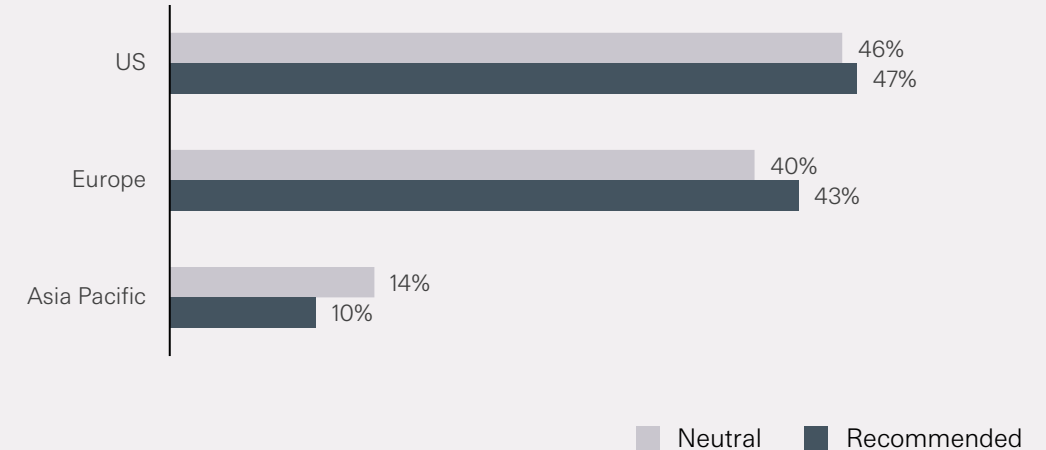
Preferred strategies & portfolio construction

Global real estate portfolio positioning

Considerations

- Recommendations are for mature, core portfolios; encourage greater tilts for newer, core+ and non-core portfolios
- Diversify geographically due to deglobalization
- Slight overweight to Europe, for distress, better spreads, but smaller market with deployment challenges
- Asia opportunity largely focused on Japan; limits overweight ability
- Recommended tilts for risk exposure:
 - Selective open-ended funds, core+ to secure durable income
 - Overweight non-core for distress, including recaps and secondaries
 - Overweight debt for current income with attractive risk/return

Geographic



Sources: StepStone Real Estate calculations, April 2025. Neutral weightings sourced from Global Real Estate Fund Index and StepStone quarterly OEF surveys for global property and geographic allocations and ANREV, INREV, and NCREIF core fund indices as of Q4 2024 for property allocations by region. Other property includes hospitality, healthcare, self-storage, senior housing, and student housing. Recommendations are recast in relation to new neutral weightings. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

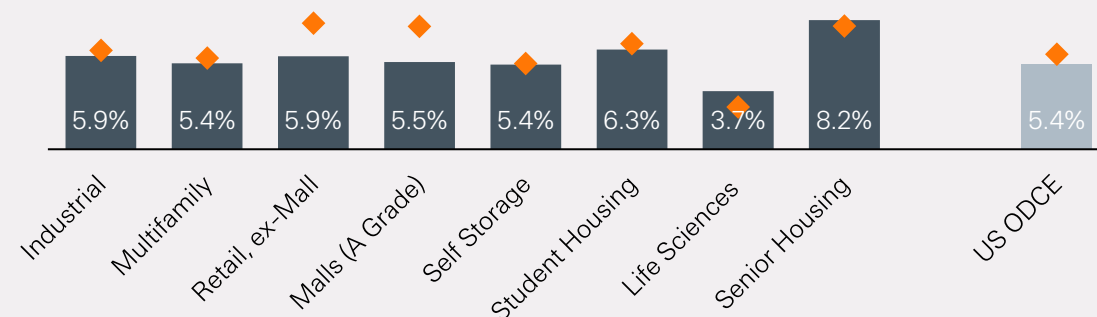
1. US property mix is based on NFI-ODCE index. If accounting for non-ODCE funds tracked by StepStone, the property neutral weights are Industrial 39% / Multifamily 25% / Office 13% / Retail 9% / Other 14%.

US core/core+ fund portfolio positioning

Considerations

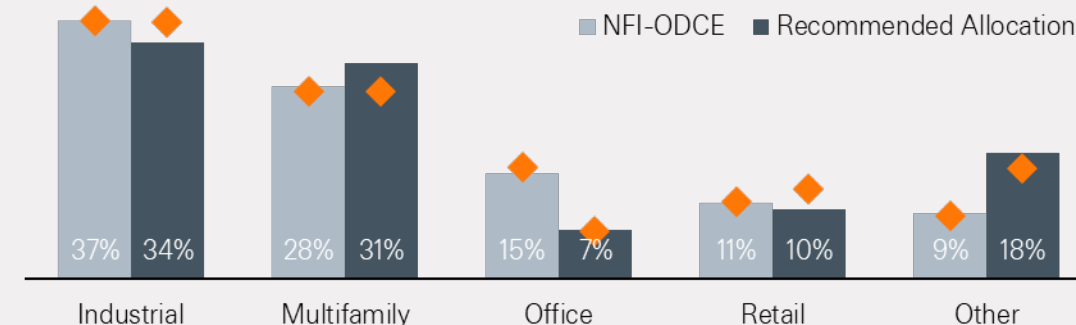
- Asset/fund selection will drive performance
- Growth outlook better in primary and larger secondary markets
- Carefully evaluate NAV. GP/Valuers' unwillingness to reduce marks of concern
- Non-ODCE funds better priced, offering more attractive entry basis
- Secondary market NAV discounts offered by sellers have been uninteresting
- Returns based on initial investment at NFI-ODCE NAV. SRE has temporarily removed office projections due to lack of visibility
- New NCREIF ODCE property type categories (see appendix) begin use with 2025 data

Five-year core fund net return projections by type



Recommended property type Tilts vs. NFI-ODCE

◆ As of Q2 2024



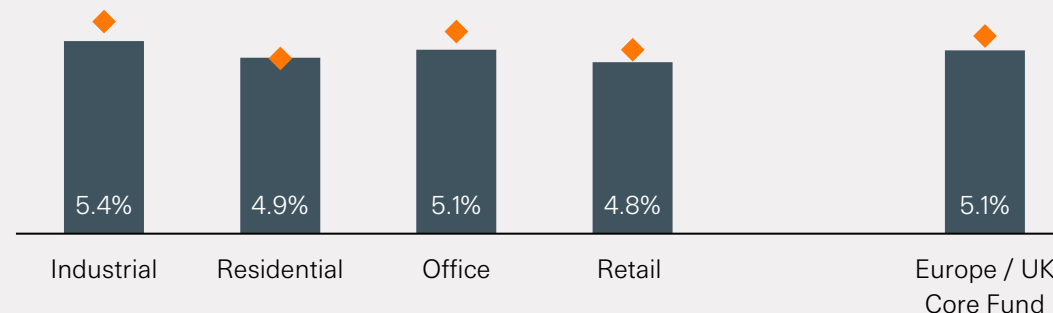
Sources: StepStone Real Estate calculations, NCREIF, April 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. Leverage is applied at the current level of the NFI-ODCE at a 27% LTV using StepStone Real Estate estimates for debt finance costs. NCREIF ODCE weightings are the value-weighted share of net real estate assets as of Q4 2024. Other property includes hospitality, healthcare, self-storage, senior housing. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purposes only. 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 target will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target is available upon request.

Europe core/core+ fund portfolio positioning

Considerations

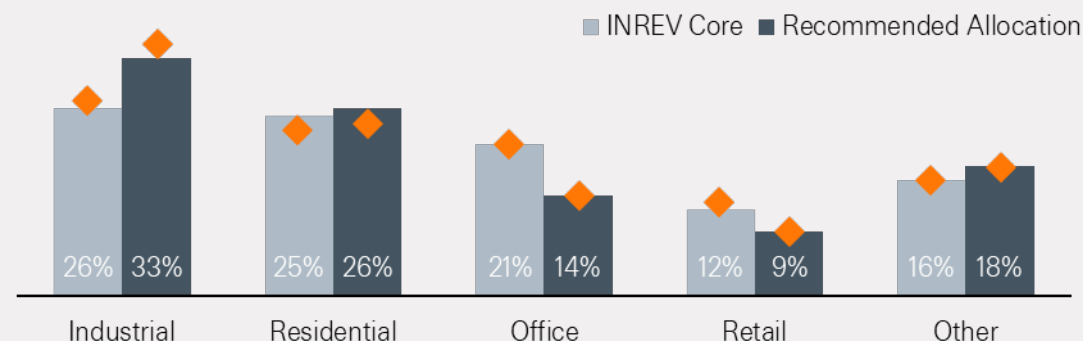
- In place income supported by supply constraints drives value over time. Asset/fund selection will drive performance
- Industrial and residential are appealing; while still a risk, lower likelihood of new rental regulations especially in Germany
- Niche products maturing, increasingly available in core/core+
- Spread of fund level NAV to property pricing has declined
- Secondary volumes rising while redemption queues are declining, LPs willing to seek liquidity more aggressively after long periods of GPs not being able to grant redemptions
- Returns based on initial investment at NAV. SRE focuses on the larger INREV Core, which includes country specific funds; INREV ODCE is only pan-European funds

Five-year core fund net return projections by type¹



Recommended property type Tilts vs. INREV Core

◆ As of Q2 2024



Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses. Sources: StepStone Real Estate calculations, INREV, April 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. Leverage is applied at the current level of the INREV-ODCE at a 25% LTV using StepStone Real Estate estimates for debt finance costs. INREV Core weightings are based on INREV Core Index as of Q4 2024. Other property includes hotel, leisure, parking and agricultural, etc. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. For illustrative purposes only. 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 target will be achieved, be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target calculations is available upon request.

Preferred themes in non-core real estate and debt

	Sector	Demand support	Supply constraint	Identified strategies
MAJOR PROPERTY TYPE ALTERNATIVE / NICHE	Industrial / logistics	<ul style="list-style-type: none"> - E-commerce - Supply-chain control - Onshoring/nearshoring 	<ul style="list-style-type: none"> - Lack of available land/ inventory - Construction costs incl financing 	<ul style="list-style-type: none"> - North America: Demand shifts as tariffs unfold. Infill and supply constrained markets with below market leases. Assets near new large manufacturing and infrastructure investments - Europe: Properties offering immediate mark-to-market opportunity. Urban logistics in key cities. Big box in well-established logistics hubs. Strong credit NNN-leases trading at discount to traditional industrial - Asia: Prime locations in undersupplied submarkets in Japan, South Korea, and Singapore
	Rental Housing	<ul style="list-style-type: none"> - Household growth - Urbanization - Migration trends - High costs to own 	<ul style="list-style-type: none"> - Strict planning and rent regulation - Geographic supply constraints - Construction costs incl financing 	<ul style="list-style-type: none"> - North America: Tighter coastal core markets with high barrier to entry. Preferred equity recapitalizations into overleveraged portfolios. Student housing at top public and private universities with fewer foreign students in supply constrained markets - Europe: Mispriced assets following capital markets dislocation. Capitalization of stalled developments in urban centers. Acquisition of single family homes from stressed homebuilders. Student housing, with strong enrollment growth expected - Asia: Demographic tailwinds support opportunities in Japan, South Korea, and Australia. Mark to market at well-located, but under-managed, Tokyo multifamily assets
	Senior Housing	<ul style="list-style-type: none"> - Aging population - Government support in Europe 	<ul style="list-style-type: none"> - High replacement costs - Land availability - Lack of capitalized / skilled developers 	<ul style="list-style-type: none"> - North America: Stabilized or near-stabilized, well-located, newer-vintage, private-pay IL/AL/MC properties that will benefit from fundamental outlook. Wind-ups of legacy vintage funds needing liquidity - Europe: Development finance or forward funding of private-pay, needs based care homes on long-term leases to operators. Distress opportunities in continental Europe following French operator scandals and limited liquidity of core institutional buyers - Asia: Nascent asset class with potential upside from supportive demographic trends across the region
	Data Centers	<ul style="list-style-type: none"> - Data consumption and storage (cloud migration, internet of things and AI computing) 	<ul style="list-style-type: none"> - Power availability - Land scarcity - High construction costs / technical expertise 	<ul style="list-style-type: none"> - North America: Capitalization of pre-leased hyperscale data center developments and select strategic acquisitions of enterprise colocation assets and carrier hotels - Europe: Capitalization of existing powered and pre-leased land bank developments. Partner with operators / development managers who possess a proven track record and expertise - Asia: Pre-leased hyperscale data center opportunities in Australia, Japan, South Korea and Singapore
CAPITAL STRUCTURE	Secondaries / recaps	Capital markets effect: <ul style="list-style-type: none"> - Funding gaps, LP liquidity demands, fundraising challenges etc pressing GPs - Desire for liquidity for other uses pressing LPs 		<ul style="list-style-type: none"> - GP-led secondaries/recaps resolve funding gaps, allow completion of business plans and orderly exit in recovered exit market, avoiding selling in a trough. Can be highly selective. Entry at current pricing, with new terms, attractive structuring to mitigate risk - LP-led volume will remain low until NAVs approach property values, otherwise would be desired source of LP liquidity
	Debt	Significant 2025-26 wall of maturities <ul style="list-style-type: none"> - Wall needs refinancing, whole loan solutions - Banks now more active, but supply dearth still favors non-traditional lenders 		<ul style="list-style-type: none"> - Lending in both US and Europe see wider spreads vs. 2022 across property types and risk levels. Likely to end cycle with more non-traditional lender volumes. Leveraged debt funds benefit from significant competition amongst financing facility providers, mainly banks

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Preferred market/property type strategies

		Market conditions for fundamentals				Investment appeal		
		Demand		Supply				
Property type		Cyclic	Secular	Policy Risk		US	Europe	APAC
Majors	- Office	●	●	●	●	●	●	●
	- Industrial	●	●	●	●	●	●	●
	- MF - Class A	●	●	●	●	●	●	●
	- Class B/C	●	●	●	●	●	●	●
	- Retail	●	●	●	●	●	●	●
Other Rental Residential								
	- Manufactured Housing	●	●	●	●	●	n/a	n/a
	- Single Family Homes	●	●	●	●	●	●	n/a
	- Student Housing	●	●	●	●	●	●	●
	- Senior Housing	●	●	●	●	●	●	n/a
Other	- Self Storage	●	●	●	●	●	●	●
	- Cold Storage	●	●	●	●	●	●	●
	- Life Sciences R&D	●	●	●	●	●	●	●
	- Hospitality	●	●	●	●	●	●	●
	- Data Centers	●	●	●	●	●	●	●
	- Production Studios	●	●	●	●	●	n/a	n/a

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Europe: preferred market/property type strategies

● Favorable ● Neutral ● Unfavorable

Investment appeal							
Property type	Europe	UK	Germany	France	Nordics	Spain	NL
Majors							
- Office	●	●	●	●	●	●	●
- Industrial	●	●	●	●	●	●	●
- MF - Class A	●	●	●	●	●	●	●
- Class B/C	●	●	●	●	●	●	●
- Retail	●	●	●	●	●	●	●
Other Rental Residential							
- Manufactured Housing	n/a	n/a	n/a	n/a	n/a	n/a	n/a
- Single Family Homes	●	●	n/a	n/a	n/a	n/a	n/a
- Student Housing	●	●	●	●	●	●	●
- Senior Housing	●	●	●	●	●	●	●
Other							
- Self Storage	●	●	●	●	●	●	●
- Cold Storage	●	●	●	●	●	●	●
- Life Sciences R&D	●	●	●	●	●	●	●
- Hospitality	●	●	●	●	●	●	●
- Data Centers	●	●	●	●	●	●	●
- Production Studios	n/a	n/a	n/a	n/a	n/a	n/a	n/a

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Asia-Pacific: preferred market/property type strategies

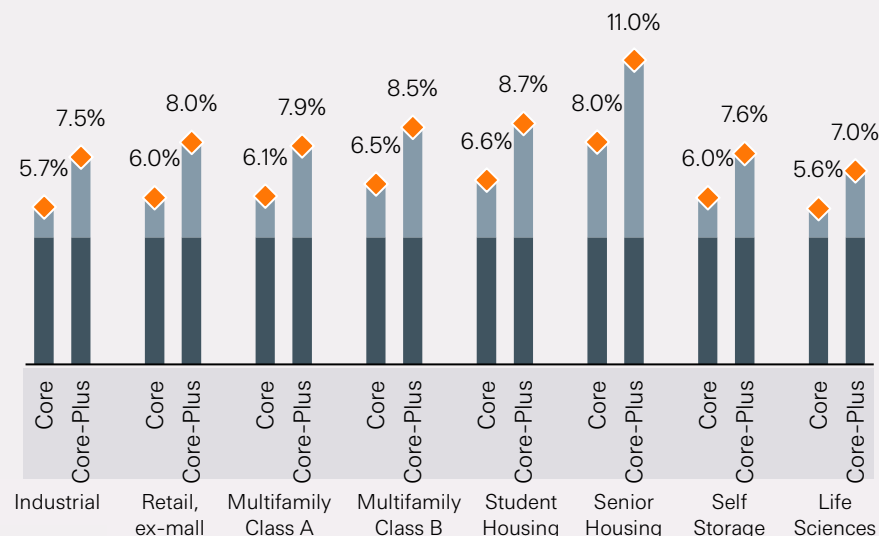
● Favorable ● Neutral ● Unfavorable

Investment appeal							
Property type	APAC	Japan	Australia	Korea	Singapore	China	Hong Kong
Majors							
- Office	●	●	●	●	●	●	●
- Industrial	●	●	●	●	●	●	●
- MF - Class A	●	●	●	●	●	●	●
- Class B/C	●	●	●	●	●	●	●
- Retail	●	●	●	●	●	●	●
Other Rental Residential							
- Student Housing	●	●	●	●	●	●	●
Other							
- Self Storage	●	●	●	●	●	●	●
- Cold Storage	●	●	●	●	●	●	●
- Life Sciences R&D	●	●	●	●	●	●	●
- Hospitality	●	●	●	●	●	●	●
- Data Centers	●	●	●	●	●	●	●

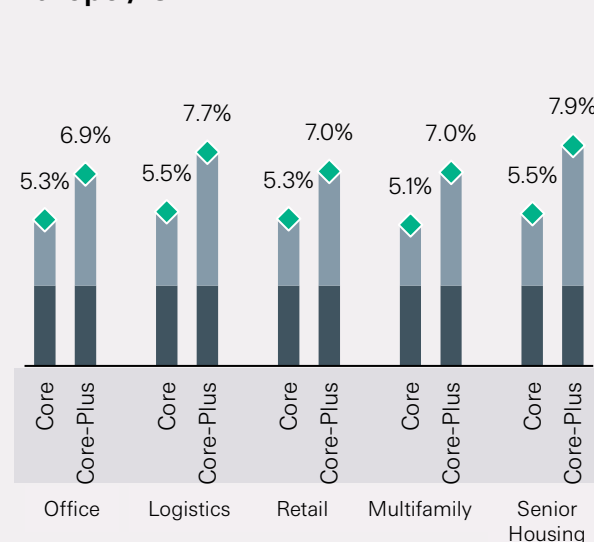
Core/core+ property-level 5-year performance prospects

In local currency¹

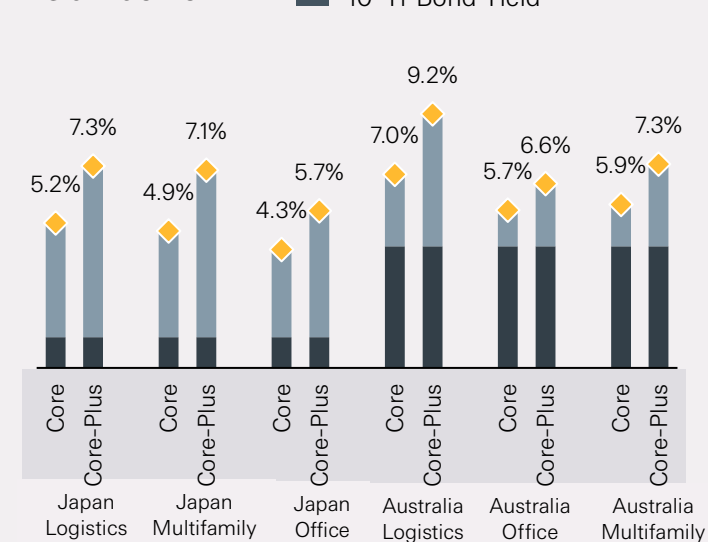
United States



Europe / UK²



Asia-Pacific



- Returns based on initial investment per trading price data. Open-ended fund commitments made at above market NAVs will yield lower returns
- Fundamentals based on downside scenarios that assume recession and recovery within the 5-year period
- SRE has temporarily removed US office from the projections due to lack of visibility on demand, future capital expenditure and exit market

Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses. Source: StepStone Real Estate calculations, Green Street, MSCI RCA, Cushman & Wakefield, Catella, CBRE, IPF European Consensus, NCREIF, INREV, Oxford Economics, Chatham Financial, Consensus Economics, April 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. For illustrative purposes only. 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 target IRRs will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target IRR calculations is available upon request. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

1. All return projections are in local currency.

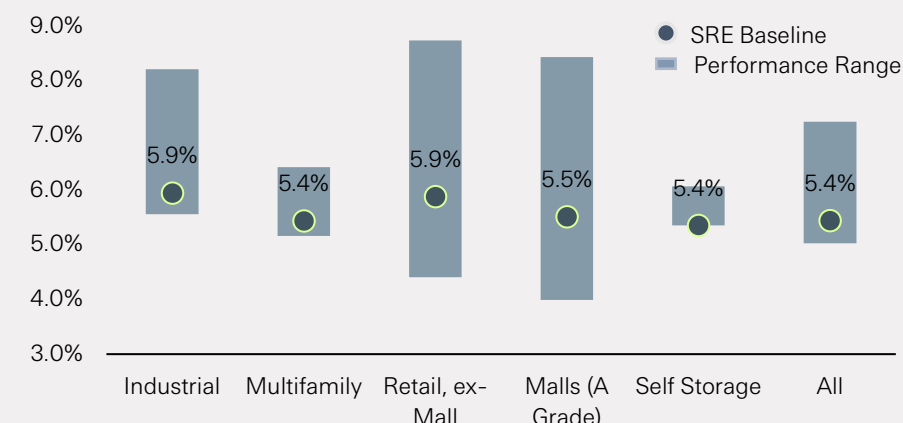
2. 10-Yr Bond yield is blended average of 80% Europe and 20% UK.

Core/core+ performance scenarios and expected returns

	Third-party baseline	▲ Scenarios ▼
Growth	<ul style="list-style-type: none"> Downside risks are growing as uncertainty weighs on economy Policy changes and trade war dim prospects globally Eurozone growth will remain below other regions, Asia-Pacific above, but at a slower pace 	<p>▲ Fiscal stimulus offsets impact of US policy changes, keeping economy stable</p> <p>▼ Confidence falls further, consumers and businesses retrench, economy falls into recession (in SRE projections) or worse; possible stagflation (not in projections)</p>
Inflation	<ul style="list-style-type: none"> Inflation expected to move gradually higher as new tariffs take effect Diverges by country 	<p>▲ Slower economic growth offsets impact of tariffs, keeping rise in inflation muted</p> <p>▼ Inflation moves sharply higher even as growth slows</p>
Monetary policy	<ul style="list-style-type: none"> While policy may continue to diverge, price pressures limit easing cycle across central banks Government bond yields stabilize at higher, "normal" levels 	<p>▲ Inflation remains under control, allowing central banks to continue cutting rates</p> <p>▼ With inflation moving swiftly higher, central banks postpone additional easing and consider rate hikes</p>
Employment	<ul style="list-style-type: none"> Federal gov't layoffs reinforce softening labor market, but rise in unemployment is modest Immigration also slows, keeping a lid on labor supply growth 	<p>▲ Fiscal stimulus keeps the economy growing, businesses continue to invest and expand</p> <p>▼ Layoffs expand beyond the federal government, driving unemployment higher</p>
Geopolitical	<ul style="list-style-type: none"> Global trade war now viewed as top risk as per OE survey of businesses Concern over Russia-NATO and ME conflicts remains (but distant 2nd) 	<p>▲ Easing of tensions, resolution of trade war</p> <p>▼ Increased tension plus China/Taiwan or Middle East escalation; oil price spike and supply disruption</p>

Range of five-year real estate core fund performance expectations¹

US core fund performance by property type, net of fees



- Cyclic impact on rent growth varies by property type
- Multifamily returns improving as new supply is absorbed; narrow range in performance reflects sector's defensive, counter-cyclical nature
- Industrial is highly exposed to tariffs/trade war. The sector is also cyclic, driving wide range in performance
- Retail's range reflects sensitivity to trade policy; higher baseline returns due to lack of supply
- Self-storage more range bound, reflecting its non-cyclical demand drivers

Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses. Table source: Oxford Economics, Consensus Economics, StepStone Real Estate analysis, as of April 2025. Prospective five-year buy-and-hold return for a representative Grade-A/Core asset reflecting a market average level of return. Leverage is applied at the current level of the NFI-ODCE at a 27% LTV using StepStone Real Estate estimates for debt finance costs. The NFI-ODCE estimate is calculated using the 4Q2024 index weightings, adjusted for office depreciation projection. Office projections currently suspended due to lack of visibility. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

1. For illustrative purposes only. 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 target will be achieved or that the investment will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target is available upon request.

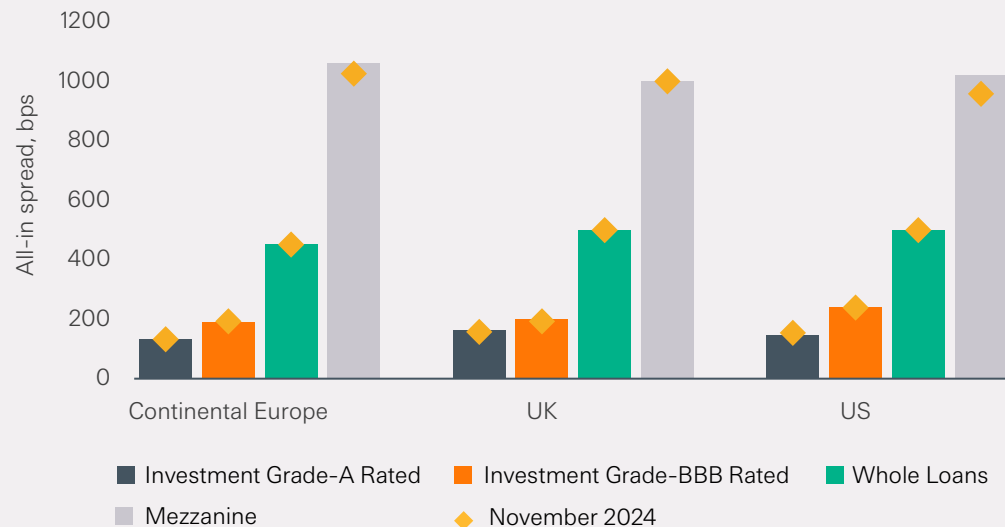
Private debt: better terms, less competition, higher returns

Private lenders expected to gain market share

- **Volume has improved across the market** with bank lending noticeably up for the first time in two years. Mortgage Bankers Association projected a 28% lift in loan volume for 2025 vs. 2024 in US. Spreads tightened significantly, but post tariffs are generally up 75-100bps, less for better assets and sponsors
- **High volatility:** Central banks may face both slow growth and inflation, more so in US so policy path unclear
- **Better structures, more attractive returns available:** Alternative lenders can originate with better structure and covenants, to better sponsors and high-quality assets, and can charge more for complexity and flexibility, allowing lower risk without reducing targeted returns

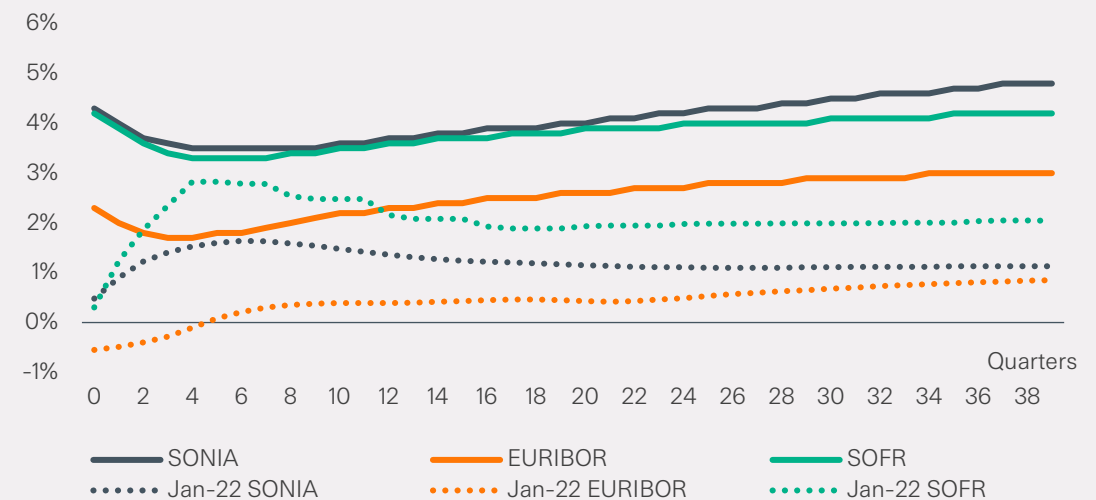
All-in lending spreads over base rate by loan type

As of April 2025



Three-month forward curves

Q1 2025 vs. Q1 2022



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Source: PGIM, AIG, Chatham Financial, StepStone Real Estate analysis, April 2025.

Private debt: preferred strategies

Loan type	Features	US	Europe
Senior loans / investment grade	<ul style="list-style-type: none"> - Senior commercial real estate mortgages on high-quality stabilized properties - Max 60% LTV - European lenders incur low solvency capital charges 	<ul style="list-style-type: none"> - Pricing and terms favor life company and certain unlevered debt fund originators - Banks slowly returning to this segment 	<ul style="list-style-type: none"> - Banks are currently active across sectors and especially within the core markets - Particular appetite for loan-on-loan financing due to efficient capital treatment. Margins have tightened as a result over the last couple quarters
Whole loans / stretch senior	<ul style="list-style-type: none"> - Whole loans on core-plus and light value-add properties - Max 65-70% LTV 	<ul style="list-style-type: none"> - Life companies, REITs, and bank activity up - Core+ debt funds' office loan problems persist, several winding down - 2024 agency purchase quotas of \$146B up 4% from 2024, with LTVs down 5-10% from 2020. 50% of agency purchases must support affordable housing, and the FHFA may increase the quotas and preserve the workforce housing exemption - Ample liquidity remains for stabilized, qualifying multifamily financing 	<ul style="list-style-type: none"> - Both unlevered and levered lenders active in this segment - Margin tightening across sectors due to significant competition over the past quarter especially for larger transactions - Market is becoming more efficient especially for larger transactions which are being executed via financing bid processes
Levered whole loan / high yield / mezzanine	<ul style="list-style-type: none"> - Floating rate whole loans on transitional properties with financial leverage or retention of high yield subordinate/mezzanine positions - Typical whole loan is 65% LTC advance rate and 75% stabilized LTV 	<ul style="list-style-type: none"> - 10-13% debt fund net returns on 2-2.5/1 levered transitional loans and high-quality mezzanine debt at 50%-70% LTC; returns from current cash distributions of 8-10% - Mezzanine spreads ~650 bps on stabilized and 900+ bps on deeper transitional business plans - Warehouse and repo facilities most active, and competitive, with new structures filling in for drop in single A-note and loan on loan executions. - CLO executions selectively available but not as accretive as in past years; issuance down materially in 2024 	<ul style="list-style-type: none"> - Alternative lenders are most focused on this segment of the market. Many use the same loan-on-loan lenders and hence margins have also tightened - Lenders are underwriting all sectors and business plans, however are generally maintaining covenant requirements - Deployment has been a challenge for many alternative lenders with high cost of capital due to competition and still limited transaction volume
Development financing	<ul style="list-style-type: none"> - Lending to a narrower range of property types focusing on multifamily, other living sectors and industrial, - Max 80% LTC 	<ul style="list-style-type: none"> - Focus is on multifamily and industrial, build to suit, and pre-leased; interest in storage, student, niche sectors - Partial recourse levels from traditional lenders are up, also increasing use of debt fund mezzanine and preferred equity - Regional banks remain largely on sidelines 	<ul style="list-style-type: none"> - Development financing on a whole loan basis is providing attractive risk return for alternative lenders - Financing available across sectors particularly BTR, student, pre-leased industrial, and data centers
Special situations / opportunistic debt	<ul style="list-style-type: none"> - Recapitalizations - Discounted Payoffs (DPOs) - Sub-performing Loans (SPLs) 	<ul style="list-style-type: none"> - Opportunities for recaps and high yield executions (i.e., loan/portfolio acquisitions, recap funding /DPOs); strong counterparty relationships benefit - Regulators' bank problems will require a private markets solution. To date, few significant portfolio sales, but single and small portfolio sales are increasing 	<ul style="list-style-type: none"> - Opportunities continue to be driven by funding gaps or sponsors with liquidity constraints - Less institutional sponsors or corporate entities are the main counterparties for these situations

■ Overweight
 ■ Neutral
 ■ Underweight

Source: StepStone Analysis, April 2025. The opinions expressed herein reflect the current opinions of StepStone Real Estate as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. No representation or warranty is made as to the returns which may be experienced by investors.



Macro setting

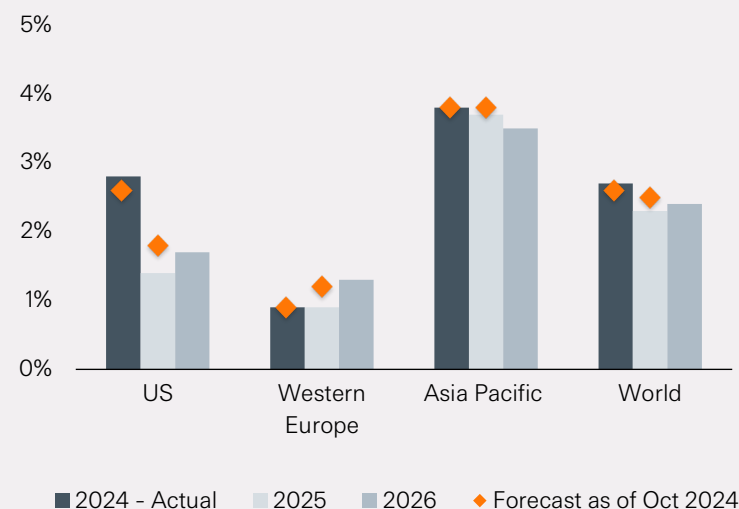
Tariffs likely to slow growth, fuel inflation

- US policy fuels uncertainty and lower growth expectations globally. Risk of recession rising quickly, especially in the US
- Europe vulnerable, with tariffs further weighing on growth. Spain is an exception, with tourism continuing to boost growth
- APAC still leads global growth, but well below trend due to tariffs and slowing in China

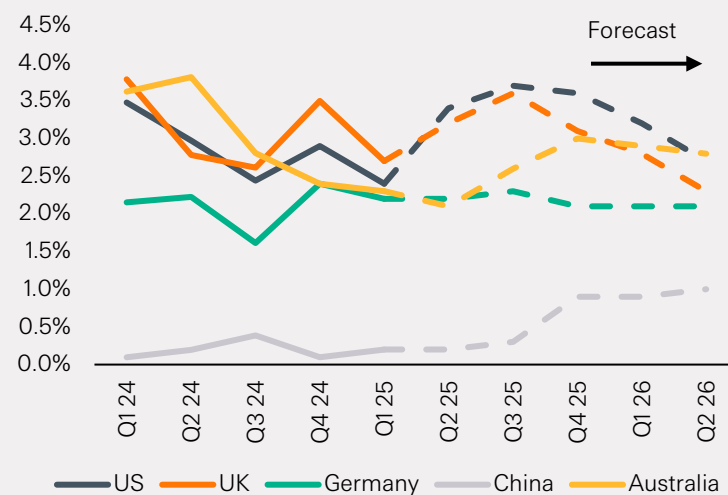
- US tariffs likely to raise prices globally, although weaker economies may offset this
- US will bear the brunt of price pressures; inflation could exceed 4% even as growth slows
- Inflationary pressures lower in continental Europe; UK National Insurance contributions inflationary
- APAC could see bigger hit to growth from tariffs, offsetting inflationary pressures

- Monetary policy has diverged with central banks in Europe and APAC cutting rates and the Fed on hold
- The path for central banks is less clear amid tariffs/ trade war. While growth is expected to slow, inflation may leave limited space to ease
- In Japan, wage negotiations point to continued inflation, but tariffs and subsequent hit to growth could pause BoJ's hiking cycle

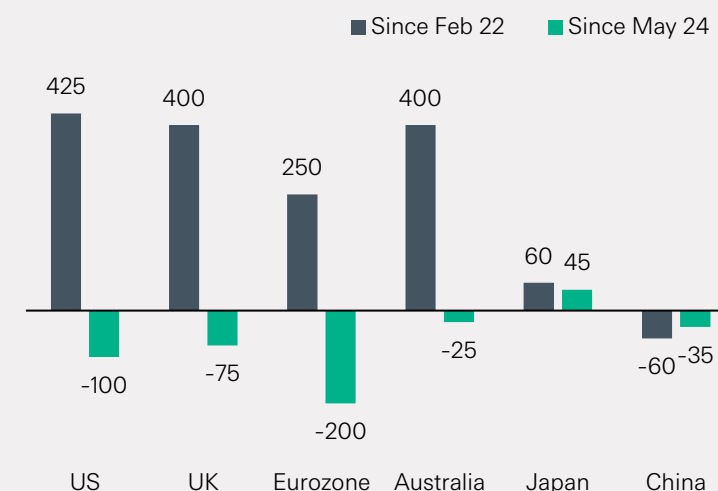
Real GDP annual growth outlook



Annual CPI inflation



Change (bps) in central bank policy rates

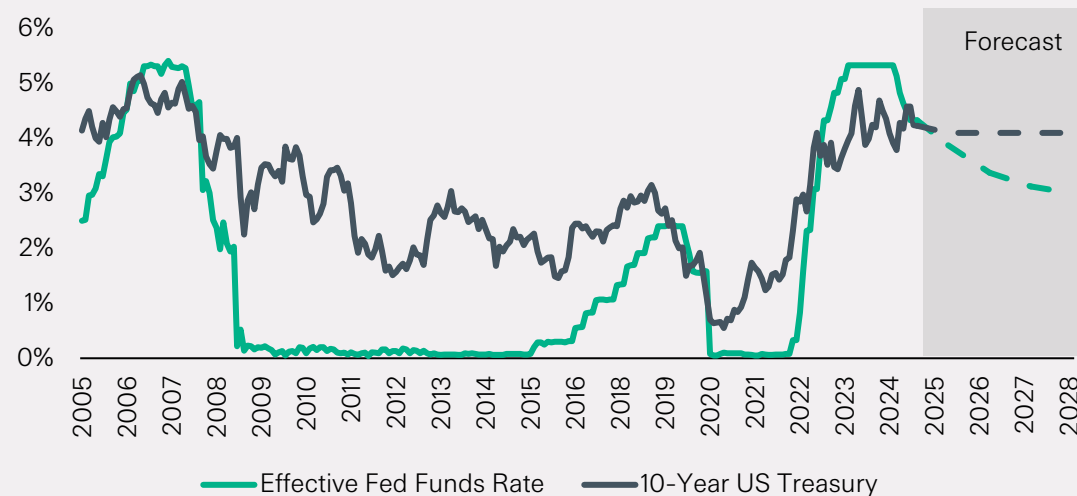


Short rates unclear, long-rates likely to stay higher

5- and 10-year interest rates are back to long-term averages, recovered from COVID period

- Tariff-related inflation can delay or reduce central bank easing in response to weaker employment and growth
- Regardless of monetary policy, 5- and 10- year rates, which matter to real estate pricing and fixed rate borrowing, are expected to remain around long-term averages
- While weak growth usually reduces longer-term interest rates, inflation, deficits and other factors may keep rates high in the US, leading to stagflation
- Ongoing political uncertainty implies ongoing market volatility

Fed funds rate vs 10-year treasury¹



The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass. Sources: CapIQ, FRED, Consensus Economics, April 2025.

1. 10-year US Treasury forecast sourced from Consensus Economics, April 2025.

2. As of April 14th, 2025. 3. China average 10-year government bond yield is from 2008 to 2024.

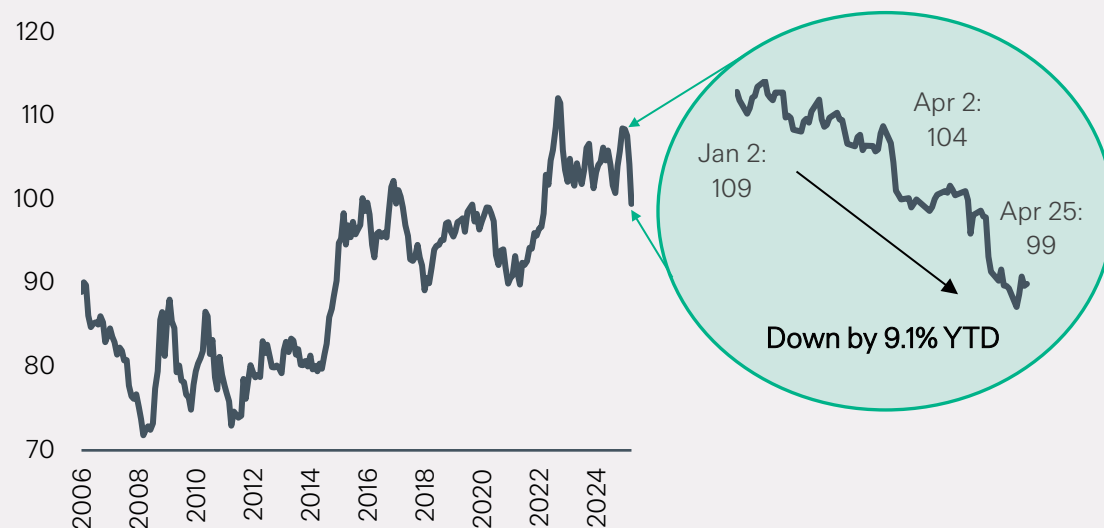
Avg 10-year govt bonds across different periods

Periods	US	UK	France	Germany	Australia	China
2020 – 2024 (COVID)	2.7%	2.4%	1.5%	1.0%	2.8%	2.7%
1990 – 2024	4.2%	4.5%	3.9%	3.5%	5.4%	3.3% ³
Current ²	4.4%	4.6%	3.3%	2.5%	4.4%	1.7%
'25 Forecast	4.1%	4.4%	3.3%	2.7%	4.3%	NA
'26 Forecast	4.1%	4.3%	3.2%	2.8%	4.0%	NA

Policy changes drop US dollar value and raise FX volatility

- FX rates are notoriously hard to predict, particularly in a way that is useful for long-term investments, because they are a function of government and central bank behavior
- Hedging major currencies is generally cost effective, and events have not materially changed the cost
- The dollar's unique list of advantages supports its ongoing role as the world's reserve currency
 - Deep and liquid government debt markets,
 - No capital controls,
 - Not heavily managed by the central bank

US dollar versus other currencies: DXY index¹



FX volatility: DXY, 30-day rolling volatility (%)



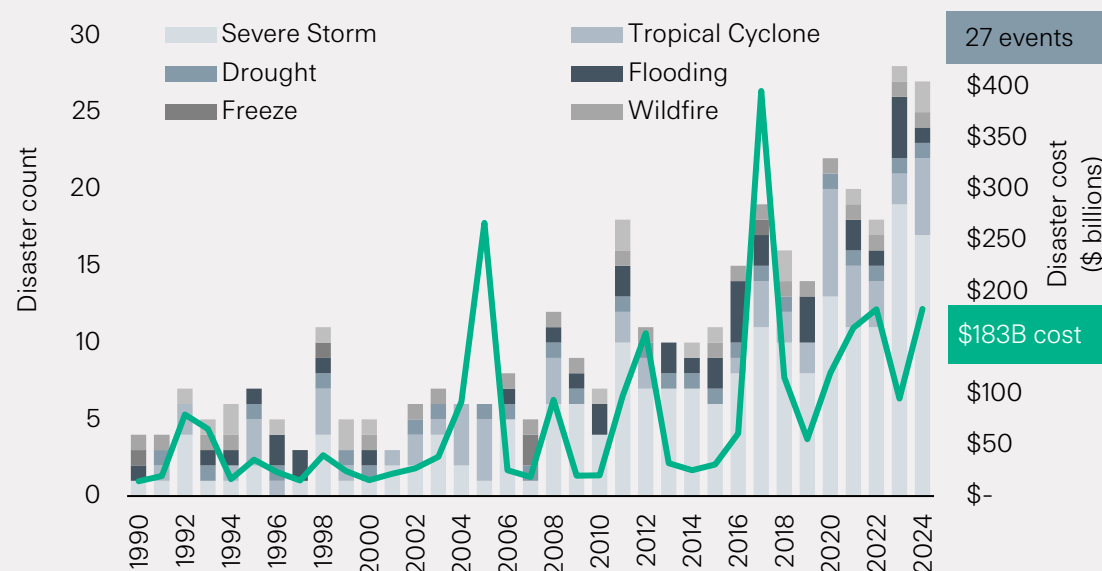
Sources: Bloomberg, Chatham, April 2025. 1. DXY index weighted as follows. EUR: 57.6%, JPY: 13.6%, GBP: 11.9%, CAD: 9.1%, SEK: 4.2%, CHF: 3.6%

Climate risk is fueling rapid expense growth

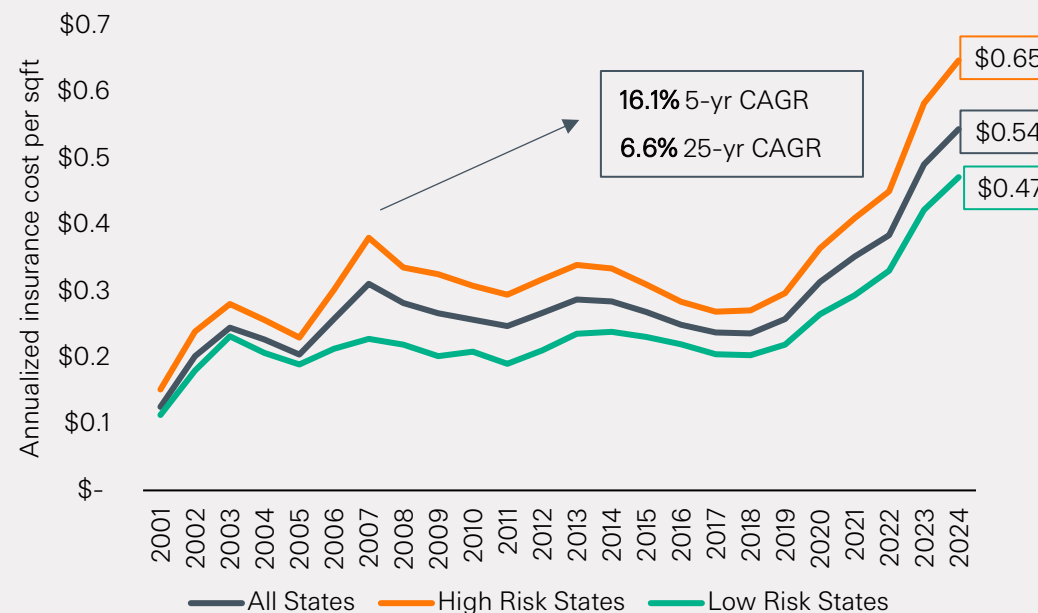
Insurance and recovery costs are way up, with some insurers exiting high risk markets

- Major disaster costs have over 20% 10-year CAGR. In 2024, 27 extreme weather events costing >\$1B each totaled \$183 billion in recovery costs. 2025 already rising with estimated cost of LA wildfires ranging between \$76 and \$131 billion¹
- US population growth is focused on metros that face the highest risk of natural disasters (in TX, FL), putting upward pressure RE exposures
- Extreme weather is driving insurance costs for commercial real estate higher, doubling over the past decade in the US, for example
- Costs have increased the most in higher risk states – among them CA, FL and TX. According to Deloitte Center for Financial Services, high risk premiums could be 24% above the national average by 2030²

US disaster events costing >\$1B, 1980 – 2024 (CPI-adjusted)



Insurance cost by risk group



Source: National Oceanic and Atmospheric Administration, Federal Emergency Management Agency, NCREIF, April 2025.

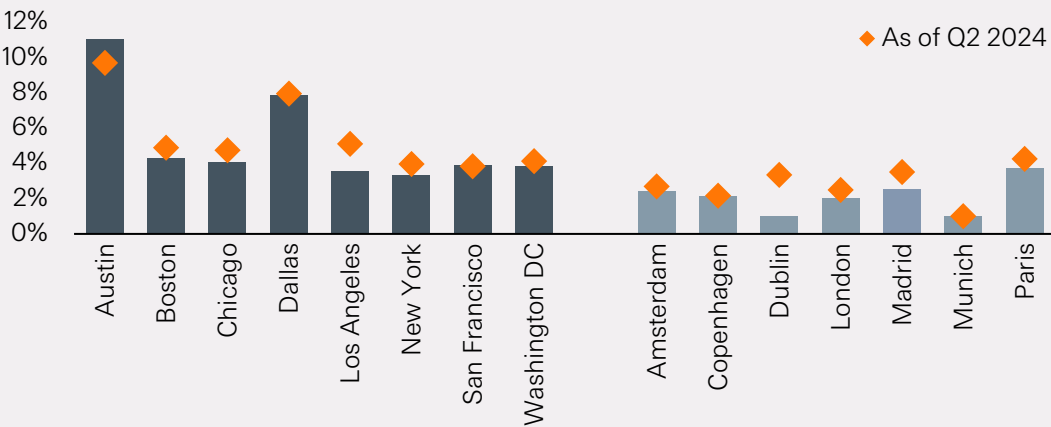
1. UCLA Anderson Forecast, March 2025. 2. Climate change impacts elevate US commercial real estate insurance costs, Deloitte Center for Financial Services, May 2024.

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 dark grey rectangular area is overlaid on the right side of the image, containing the title text. A thin, bright yellow horizontal line runs across the middle of the image, separating the title area from the lower portion.

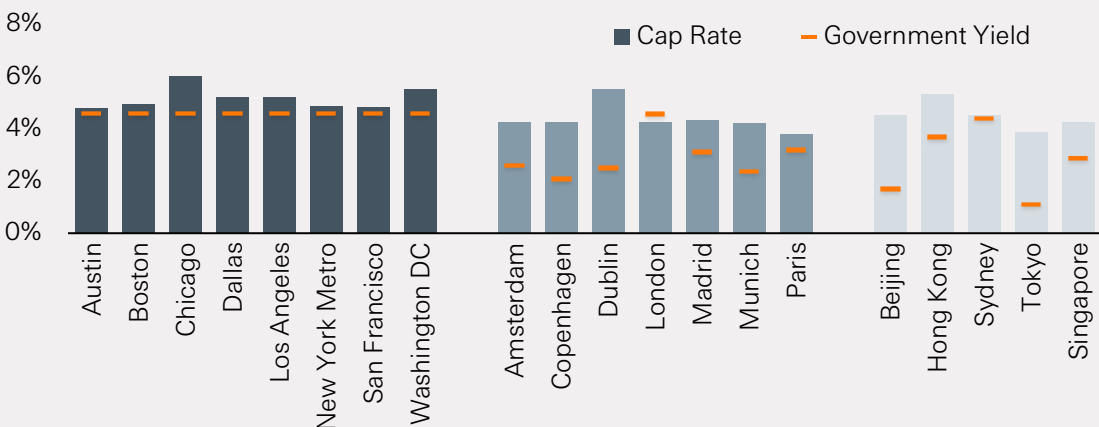
Property type outlooks

Multifamily

Vacancy rates¹



Grade-A cap rates & 10yr govt yields²







	Key market trends	Winners	Losers	Distress potential
North America	<ul style="list-style-type: none">- Fundamentals soft but mostly improving in over-supplied Sunbelt growth markets, deliveries peaking in 2025. Sharp decline in starts points to re-stabilization in 26 as deliveries are absorbed- Barriers to entry support fundamentals in core coastal markets, with low vacancy expected to drive above-inflationary rent growth. Bolstered by lagging cbd's with lift in in-office requirement- Significant debt and equity liquidity across quality and vintage. Highly efficient agency debt capital for affordable product. Core capital still not fully back in the market	<ul style="list-style-type: none">- Supply-constrained core coastal markets- Opportunistic acquisitions in soft, over-supplied markets with strong longer-term prospects- Relatively affordable product	<ul style="list-style-type: none">- Recently delivered stock struggling to lease up- Highly levered, fully priced transitional business plans- Near-term fundamentals in soft lower barrier to entry markets	Medium-high
Europe	<ul style="list-style-type: none">- Residential permits now in-line with the record lows seen during the GFC- Undersupply of homes across Europe, with rising rental costs and increased privatization- ECB rate cuts should boost appeal of European multifamily investments, with positive leverage expanding beyond Germany and Denmark	<ul style="list-style-type: none">- Supply constrained markets with tight planning / zoning systems	<ul style="list-style-type: none">- Oversupplied markets with deep supply pipelines	Low
Asia Pacific	<ul style="list-style-type: none">- Favorable demographic trends support rental growth expectations across undersupplied urban centers in Japan, South Korea, and Australia- Interest rate cuts in Australia and Korea expected to support investment appeal- Anticipated rate hikes by the Bank of Japan may result in mild cap rate expansion	<ul style="list-style-type: none">- Well-located assets near public transportation	<ul style="list-style-type: none">- Development assets facing cost overruns and delays in Australia	Low

1. Sourced from Green Street as of Q4 2024.
2. Sourced from Green Street, CapIQ, FRED as of Q4 2024. Europe cap rates from Catella as of Q3 2024. Asia cap rates from CBRE as of Q3 2024

Overweight Neutral Underweight

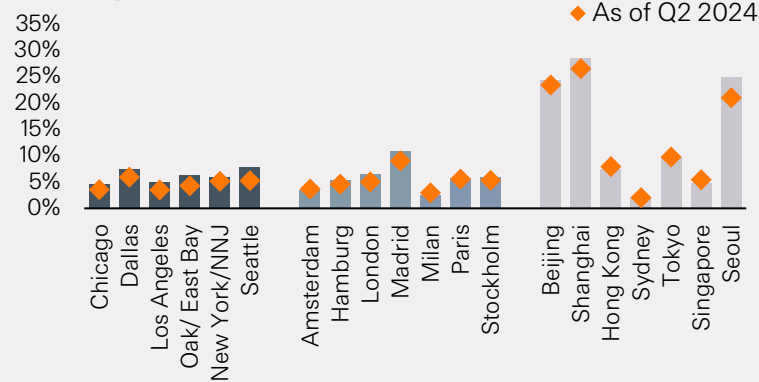
Other rental housing sectors

Sector	Commentary	Distress potential
Manufactured housing 	<ul style="list-style-type: none"> - Lack of affordable alternatives drives demand - Combined with limited new supply, strong demand has resulted in extremely tight space fundamentals. Growing regulatory risk may curtail this - Capital markets activity remains strong, with persistent demand for individual assets by non-institutional buyers 	Low
Single family rental 	<ul style="list-style-type: none"> - High borrowing costs and tight credit markets have limited consumers' ability to finance home purchases - Housing costs have increased relative to disposable income, exacerbating affordability constraints - Growing institutional sector given homebuilders shift to selling stock at reduced rates to guarantee sales 	Low
Senior housing 	<p>Global fundamentals benefit from Silver Tsunami demographic-driven demand tailwinds.</p> <ul style="list-style-type: none"> - North America: Positive fundamental outlook due to strong demand and limited new supply forecasted. Higher quality properties approaching stabilization in the 90%+ range and seeing well above inflationary rent growth. NOI margins re-stabilizing - Europe: Strong demand growth has led to significant investor interest. Opportunity for long-term secured rental income stream, with additional revenues from top-up services. Competitive land acquisition process likely to drive supply shortage, especially affordable product 	Low
Student housing 	<ul style="list-style-type: none"> - North America: Enrollment growth (at targeted institutions) and muted development pipelines are driving the sector. Focus on flagship, growing universities in public systems and top private institutions in high barrier to entry markets with lower foreign student population. Market and university selection are paramount to mitigate political and demographic risks - Europe: Investment activity remains high. Strong growth in domestic and international students due to Europe's appeal, quality institutions, lower tuition and supportive legislation. Supply remains constrained due to high construction costs and planning policies - Asia: Australia continues to be the most active PBSA market in APAC, driven by low product penetration and growing demand from international students. Despite concerns over government caps on international student numbers, market demand remains resilient 	Low

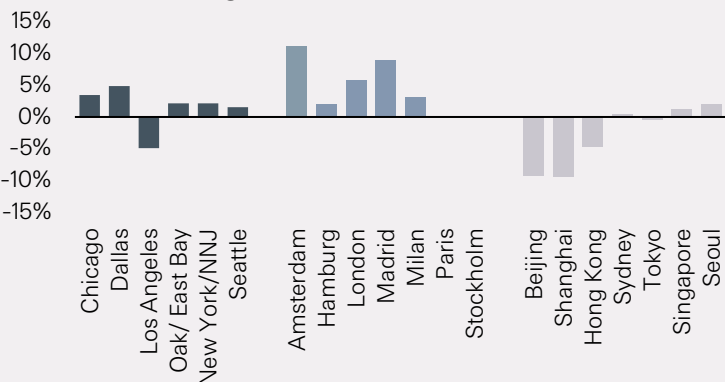
■ Overweight
 ■ Neutral
 ■ Underweight

Industrial

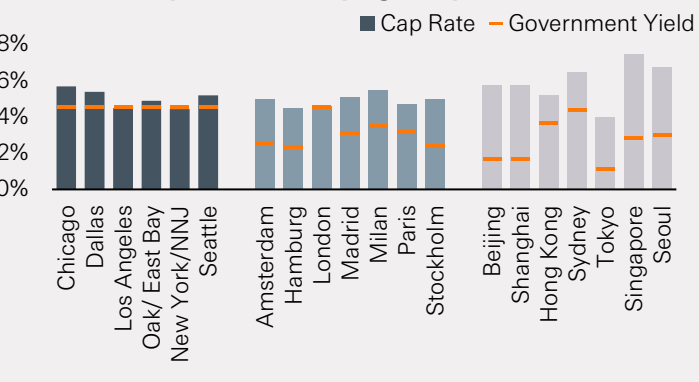
Vacancy rates¹



YoY rental rate growth²



Grade-A cap rates & 10yr govt yields³



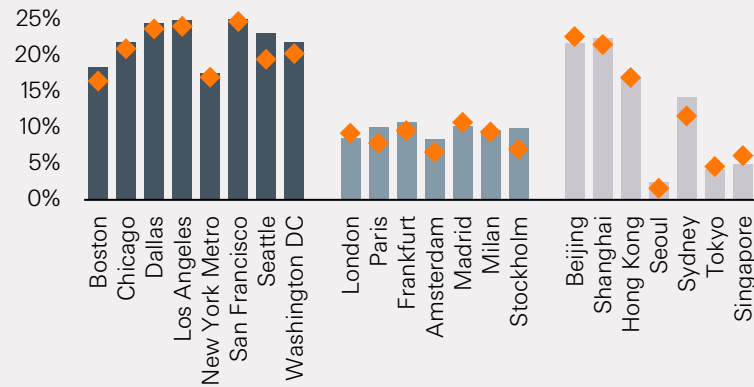
	Key market trends	Winners	Losers	Distress potential
North America	<ul style="list-style-type: none">- Leasing momentum has improved, but remains limited due to uncertainty around tariffs, inflation, interest rates, and other macroeconomic factors- Healthy capital markets activity, with significant demand from both investors and lenders now slowing due to uncertainty- Assets with mark-to-market performing well both operationally and in the capital markets	<ul style="list-style-type: none">- Small /mid-bay properties- Assets with mark-to-market opportunity- Infill locations with supply barriers	<ul style="list-style-type: none">- Big box assets with lease-up risk- Markets with recent high supply deliveries	Low
Europe	<ul style="list-style-type: none">- While improving in Q4, uncertainty weighed on leasing momentum for most of the year- Rental growth has normalized due to softer demand; growth diverges by building quality- Limited spec development despite continued demand for best-in-class ESG driven assets- Yields have stabilized over 2024, with compression in key markets	<ul style="list-style-type: none">- Urban industrial / logistics- Mid / big box in logistics hubs- Assets with mark-to-market opportunity- Best in class ESG compliant assets	<ul style="list-style-type: none">- Peripheral locations- Dated assets in need of refurbishment or demo / rebuild- Over-rented properties	Low
Asia Pacific	<ul style="list-style-type: none">- While development activity is slowing, new supply is limiting rent growth in Japan and Korea- Deliveries remain elevated in Australia, but rent growth is expected to continue- Interest rate cuts in South Korea, Singapore and Australia boosting capital markets activity	<ul style="list-style-type: none">- Modern assets in prime locations- Infill locations with limited new supply	<ul style="list-style-type: none">- Spec development in oversupplied submarkets- Cold storage in Seoul	Low

1. Sourced from Green Street, CBRE as of Q4 2024.
2. Sourced from CoStar, Cushman & Wakefield, and CBRE as of Q4 2024.
3. Sourced from Green Street, Cushman and Wakefield and CapIQ as of Q4 2024. Asia cap rate is sourced from CBRE as of Q3 2024.

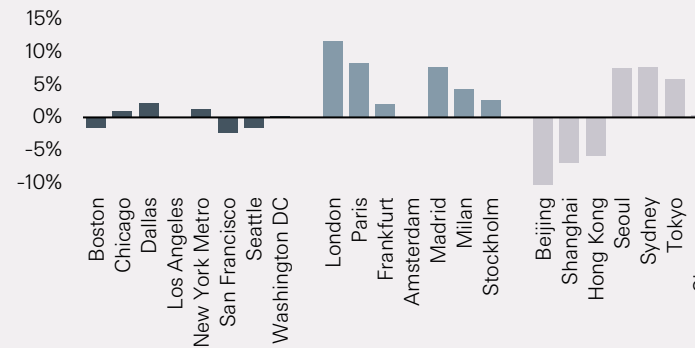
Overweight Neutral Underweight

Office

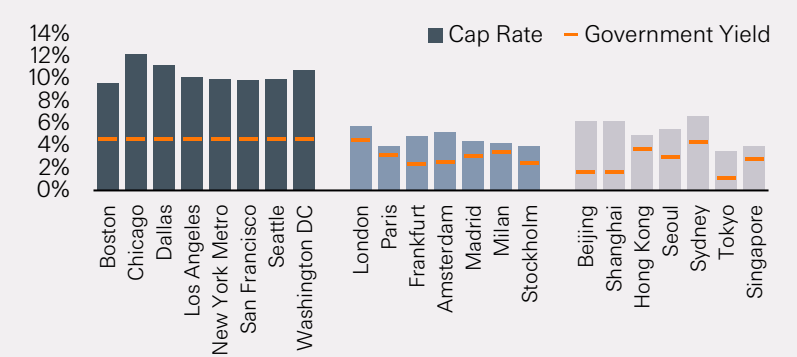
Vacancy rates¹



YoY rental rate growth²



Grade-A cap rates & 10yr govt yields³



	Key market trends	Winners	Losers	Distress potential
North America	<ul style="list-style-type: none"> - Fundamentals challenged but some green shoots with return-to-work and low new supply - Best quality, new, well-located Class A performing relatively well while rest is struggling - Investor sentiment shift towards "office curious", helped by growing debt availability - Number of lenders quoting office transactions up 33% YoY, transaction velocity up 21% YoY 	<ul style="list-style-type: none"> - Well-located Class A with amenities and transit access - Core NYC and select Sunbelt markets - Stabilized long WALT 	<ul style="list-style-type: none"> - Class B/C and poorly-located - Heavy lease-up or expensive repositioning business plans - Suburban, lower quality 	High
Europe	<ul style="list-style-type: none"> - Bifurcation by quality of stock continues; lower quality stock in secondary locations remain illiquid, potentially requiring conversion to other uses - Multiple headwinds remain, including impacts of AI, ESG regulations, macroeconomic uncertainty and challenging capital markets - Still, leasing and rental growth should improve amid return to office and limited new supply 	<ul style="list-style-type: none"> - Well-located, amenitized Class A office with strong ESG credentials - Flex and managed office space - Flexible lease arrangements 	<ul style="list-style-type: none"> - Lower quality, outdated office stock in secondary locations with poor ESG credentials 	High
Asia Pacific	<ul style="list-style-type: none"> - Market should remain tight in Seoul due to continued supply constraints - Despite new supply, strong preleasing expected to keep vacancy low in Tokyo - In Australia, secondary locations remain challenging amid relatively high vacancy 	<ul style="list-style-type: none"> - Well-located assets in South Korea and Tokyo/Osaka 	<ul style="list-style-type: none"> - China and Hong Kong SAR - Secondary locations in Melbourne and Sydney 	Low in Tokyo/Osaka High in China and Hong Kong SAR

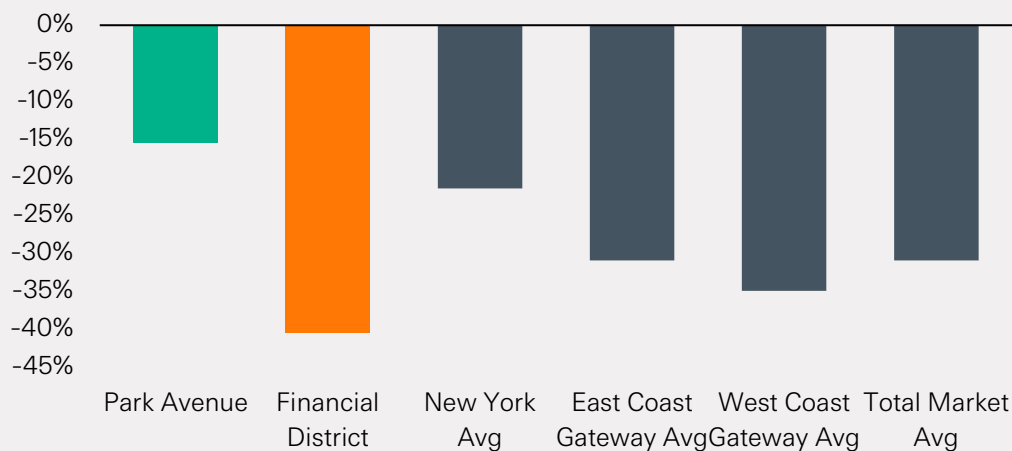
Overweight Neutral Underweight

The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.. Sourced from CoStar, Green Street, CBRE as of Q4 2024. 2. Sourced from CoStar, Cushman & Wakefield, and CBRE as of Q4 2024. 3. Sourced from Green Street and Cushman & Wakefield as of Q4 2024. European data sourced is changed to Cushman & Wakefield to reflect prime yields only. Asia cap rate is sourced from CBRE as of Q3 2024.

Green shoots and still more challenges in US office

- Publicized pushes for return to office, higher office use in parts of NYC, and AI-driven signs of life in San Francisco bolstering interest
- Studies show no aggregate drop in WFH in US despite these pushes. 25% of paid days are at home, with desire for more, no average impact on promotion, better retention, neutral on productivity which varies by industry
- Distress deals beginning to trade institutionally, generally assume normalized exit caps in 5 years, and require careful underwriting

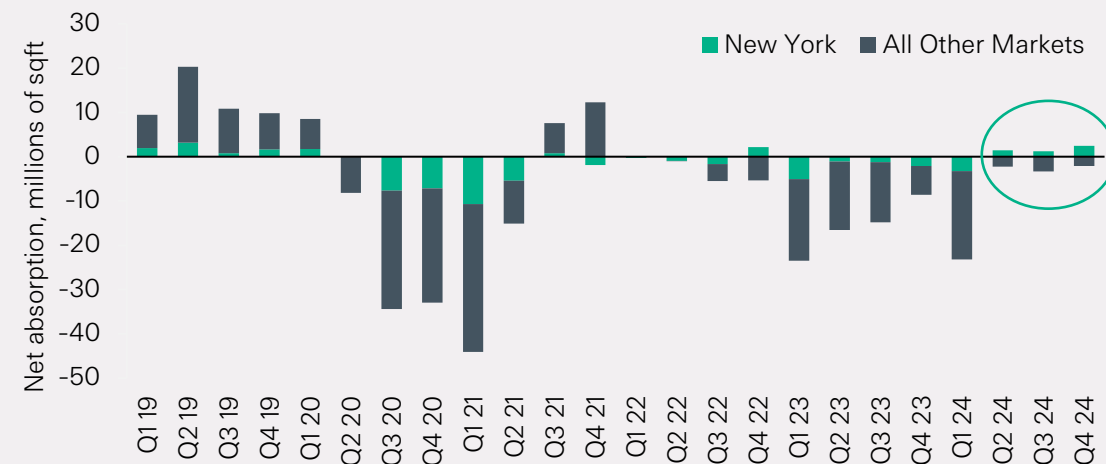
Office utilization, '24 vs. '19²



NFI-ODCE office: older, less occupied assets are vulnerability in core funds

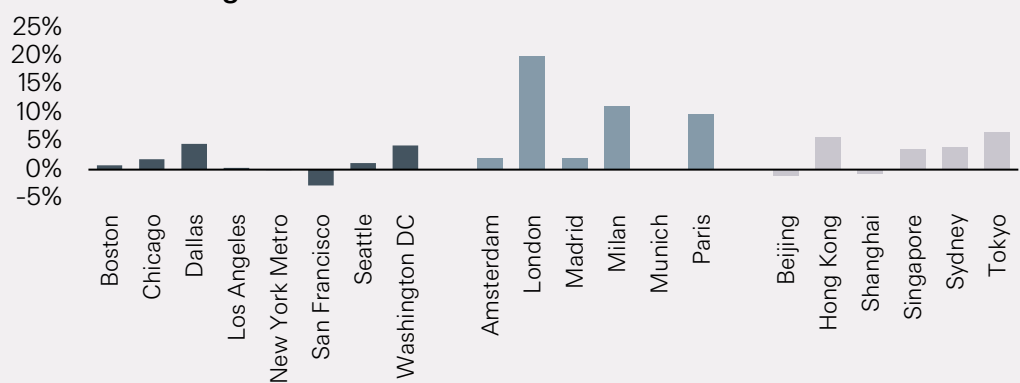
Age group	Q4 24 occupancy	'24 vs '19	% of NFI-ODCE, by MV
< 10yrs	92%	-4%	18%
10-20yrs	85%	-5%	13%
20-30yrs	85%	-5%	14%
30+ yrs	79%	-12%	55%
NFI-ODCE office	83%	-8%	100%

Demand stabilized in 2024, driven by attendance in New York³

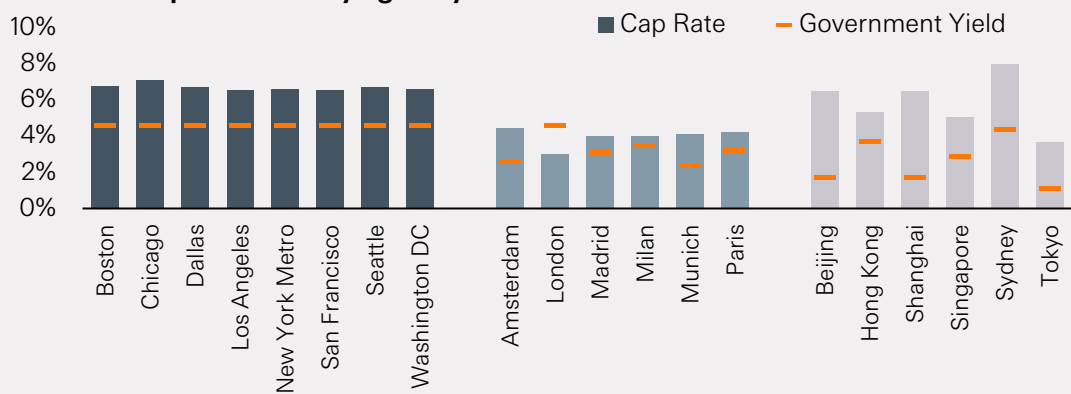


Retail

YoY rental rate growth¹



Grade-A cap rates & 10yr govt yields²



	Key market trends	Winners	Losers	Distress potential
North America	<ul style="list-style-type: none">- Positive operating fundamentals with historically low new supply forecasted- Strengthening capital markets interest and competition from buyers seeking cash yield and modest income growth opportunity	<ul style="list-style-type: none">- Well-located grocery anchored, strip, and necessity-based retail with service-oriented tenancy	<ul style="list-style-type: none">- Large format, prior generation power centers with big-box backfill risk- Weak malls in low growth markets	Low
Europe	<ul style="list-style-type: none">- Resetting of low COVID era rents enabled landlords to capture moderate rental growth with healthy occupancy rates in 2024- Multiple factors cloud the outlook, including ecommerce, weak consumer confidence, sticky inflation and tariffs- Values appear to have bottomed and liquidity is returning to the market. More value-add opportunities. Investment volumes up 15% YoY in 2024	<ul style="list-style-type: none">- Grocery anchored retail- Southern and Eastern European cities with low ecommerce growth- Class A stock in central locations- Prime high-street retail	<ul style="list-style-type: none">- Regional, low-quality with local retailers- German and Nordic cities- Large format centers outside city centers	Medium
Asia Pacific	<ul style="list-style-type: none">- Strong rent growth at prime assets in key tourist destinations, like Ginza in Tokyo- Domestic spending less robust across the region- Chinese tourist arrivals yet to surpass pre-pandemic levels	<ul style="list-style-type: none">- Necessity-based retail- Prime assets in popular tourist destinations	<ul style="list-style-type: none">- Mainland China	Medium






Overweight Neutral Underweight

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1. Sourced from CoStar, Cushman & Wakefield, CBRE as of Q4 2024. Amsterdam and Munich rental growth is flat.

2. Sourced from Green Street, Cushman & Wakefield, and CapIQ as of Q4 2024. Asia cap rate is sourced from CBRE as of Q3 2024. European market data reflects High Street retail.

Alternative sectors

Sector	Commentary	Distress potential
Data centers 	<ul style="list-style-type: none"> - Overall: Technology changes, valuation changes of major tenants, potential slowing due to policy change may shift balance of power from landlords - North America: Barriers to securing power in core markets drive scarcity and valuation. Potential risk to tertiary, AI-focused data centers as hyperscalers evolve requirements - Europe: Pullback by hyperscalers as they assess requirements amid evolving AI / cloud demands. Increased strategic focus on established markets and select geographies - Asia: Lack of space and power remain primary barriers to entry across developed markets. Capacity concentrated in Mainland China, Japan, Australia, India, Singapore, and Malaysia, the fastest growing market, doubled operational capacity in 2024 	Low
Life sciences 	<ul style="list-style-type: none"> - North America: Negative absorption due to oversupply and limited demand. New deliveries continue due to long development timelines. Changes at the National Institutes of Health and subsequent impact on grants creating further demand uncertainty. Limited investor and lender demand; credit build-to-suits are getting capitalized - Europe: Limited activity in the sector, at both occupational and capital flow levels. Relevant geographies limited to a few micro-locations in Europe (Oxford/Cambridge, Paris, Berlin-Potsdam). Complexity as to what level of specifications qualify for a "Life Sciences" product. Tailwinds include government support and race to discover new drugs - Asia: Institutional interest is growing across the region, particularly in Australia and Japan, driven by favorable demographic trends and government support 	Medium
Medical office 	<ul style="list-style-type: none"> - North America: Significant equity and debt liquidity for core/core+ properties with health system tenancy and medium/long WALT. Build-to-suit developments highly competitive with yield on cost spreads to market cap rates very tight. Demand / supply fundamentals remain solid and sector is likely a relative outperformer 	Low
Self storage 	<ul style="list-style-type: none"> - North America: Operating headwinds subsiding as supply is absorbed and development pipelines remain muted. Historic low in housing mobility is impacting the ability to grow net operating income in oversupplied markets. Continued institutional demand for assets in the right locations and submarkets - Europe: Strong interest in the sector given immense runway for demand. Aggregation strategies focused on development of best-in-class product when platform acquisitions not available or too competitive. Disappointing performance of the listed sector in the UK - Asia: Australia, Hong Kong, and Japan lead market activity. Investors focusing on aggregation strategies. Platform acquisitions are limited or highly competitive 	Medium
Hotel 	<ul style="list-style-type: none"> - North America: Near-term demand growth is expected to stagnate, driven by the weakening consumer and softening in travel trends. At the same time, elevated labor costs are driving operating expense growth and margin compression - Europe: Strong post-pandemic pricing recovery, esp in leisure segment. Business has lagged but should improve throughout 2025. Other supports include demand from developing economies, short-term rental regulations, and limited supply. Improving capital markets should boost investor confidence despite macroeconomic uncertainty - Asia: Continued recovery in international tourist arrivals is expected to drive occupancy and RevPAR. International travel from Mainland China has yet to return to pre-pandemic levels. Japan has outperformed with operations significantly above pre-COVID levels 	Medium

■ Overweight
 ■ Neutral
 ■ Underweight

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Data center outlook normalizing

Hyperscalers reassess data center needs

- In the US, Microsoft has terminated select US data center leases and pulled back from ongoing lease discussions. Similarly in Europe, hyperscalers have slowed or paused discussions for select data center leases
- It is not unusual for hyperscalers to recalibrate infrastructure strategies amid evolving demands, competition and technology, now including DeepSeek
- Google slowed expansion FY21/22 to refine design requirements before resuming with an aggressive, optimized approach
- Microsoft's actions (citing facility/power delays) mirror Meta's 2022 behavior
- The recent selloff in tech stocks, tariff-induced uncertainty, and potential recession could lead to a pullback in AI capex and slowing cloud deployment. This would slow what had been white hot growth and may shift the balance of power in tenants' favor

Sector still attractive

- Favor primary and better secondary locations; more risk to tertiary ones. Select operators and developers with demonstrated track record and expertise in managing hyperscale tenants, supply chains, and construction contractors
- Important to monitor leasing status and processes, ensure that investments are well-positioned to meet evolving tenant needs and market conditions
- For longer holds (Core/Core+), shifting power availability and changing technology present greater risks that should be factored into underwriting

Strategies

- There are investment options across the lifecycle of data centers offering a range of risk/return profiles:
 - Opportunistic+: Acquire land, obtain permitting & power, and prepare development plans
 - Value-Add/Opportunistic: Development, preferably build-to-suit
 - Core / Core+: Hold stabilized hyperscale-focused assets and portfolios



Appendix

NCREIF-ODCE revisions expand niche exposure

25% in other and now 25% in alternative subtypes allows 50% to niches. Unchanged: max 60% per property type, min 5% to 3 of 4 major property types, max 65% per geographic region, max 35% tier 1 leverage, min 75% stabilized (min 75% occupancy)

		Previous criteria			New criteria + Adds related alternative subtypes, up to 25% max
Min 75% in major property types	Apartment	<ul style="list-style-type: none"> • Apartment garden • Apartment high-rise • Apartment low-rise 	➔	Residential	<ul style="list-style-type: none"> • Apartment Garden • Apartment High-Rise • Apartment Low-Rise <ul style="list-style-type: none"> + Single-family Rental + Manufactured Housing + Student Housing
	Industrial	<ul style="list-style-type: none"> • Manufacturing • Flex • Warehouse • Specialized 		Industrial	<ul style="list-style-type: none"> • Manufacturing • Flex • Warehouse • Specialized <ul style="list-style-type: none"> + Industrial Life Science
	Office	<ul style="list-style-type: none"> • Cbd • Sbd • Urban • Suburban 		Office	<ul style="list-style-type: none"> • CBD • SBD • Urban • Suburban <ul style="list-style-type: none"> + Office Life Science + Medical Office
	Retail	<ul style="list-style-type: none"> • Street • Strip • Mall 		Retail	<ul style="list-style-type: none"> • Street • Strip • Mall
Max 25% in other	Other	<ul style="list-style-type: none"> • Self storage • Senior housing • Hotel • Land • Data center • Entertainment • Parking • Other <ul style="list-style-type: none"> - Single-family rental - Manufactured housing - Student housing - Industrial life science - Office life science - Medical office 	➔	Max 25% in other (including related alt. subtypes)	<ul style="list-style-type: none"> • Self Storage • Senior Housing • Hotel • Land • Data Center • Entertainment • Parking • Other

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.



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