

8. Presentation by StepStone – 2018 Private Equity Strategic Plan



Water and Power Employees' Retirement Plan (the "Plan") Strategic and Tactical Plan

June 2018 | Confidential

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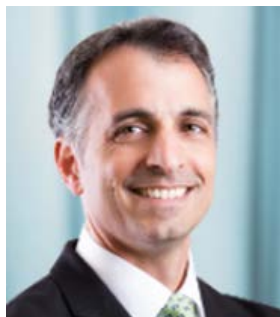
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Michael Elio – Partner

Mr. Elio is a member of the private equity team, focusing on middle-market buyouts and secondary funds. He is also involved in various advisory and portfolio management activities. Prior to joining StepStone in 2014, Mr. Elio was a managing director at ILPA, where he led programs around research, standards and industry strategic priorities. Before that he was a partner and managing director at LP Capital Advisors where he led the firm's Boston office and served as the lead consultant to North American and European institutional investors. Mr. Elio was the primary consultant for many of the firm's largest clients including public and private pension plans committing more than US\$5 billion annually.



John Kettlich – Partner

Mr. Kettlich a member of the private equity team, focusing on secondary investments. He is also involved in various portfolio management activities. Since StepStone's inception, Mr. Kettlich has helped to build the Firm's primary diligence and research platform, as well as its secondary investment business. He also spent time living in Beijing and London, where he focused on developing StepStone's international business. Before joining StepStone in 2007, Mr. Kettlich was with PCG Capital Partners, the direct investment arm of Pacific Corporate Group, where he sourced and evaluated middle-market buyout and growth equity investments. Mr. Kettlich graduated summa cum laude with a BBA from the University of San Diego and is a CFA charterholder.



Jonathan True – Senior Associate

Mr. True is a member of the private equity team, focusing on small-market buyouts and secondary funds. Prior to joining StepStone, Mr. True was an analyst at The Carlyle Group's AlInvest Partners where he sourced and performed due diligence on private equity funds focusing on North American GPs. Previously, Mr. True was an investment analyst at Cornell University Investment Office where he assisted in managing the university's endowment and conducted and sourced due diligence on prospective managers. Mr. True received his BS in financial economics from Binghamton University. He is a CFA charterholder.

Executive Summary

Strategic Objectives



- The Plan pursues investments in private equity (“PE”) assets as part of its strategic asset allocation in order to
 - Increase the diversification of the Plan’s assets,
 - Take advantage of the ability to accept illiquidity in exchange for a premium, and
 - Reduce the volatility and increase the risk-adjusted returns of the overall Plan.
- The Retirement Board seeks to invest with managers who have demonstrated the ability, or the potential, to outperform the public market benchmark plus an illiquidity risk premium, net of fees and expenses.
- The Retirement Board expects that commitments to and investments in private equity assets will establish, maintain, and continually reinforce the presence as an attractive investor, and make both continuous use of and contributions to the best practices of investors in private equity.
- The Retirement Board will seek investments in which the General Partner demonstrates a commitment to standards of good conduct and transparency, including compliance with all Federal, State, local, and international laws, including, but not limited to, labor, anti-discrimination, environmental, and health and safety laws, and will reject investments that would pose reputational risk to the Plan or bring public or regulatory scrutiny other than that which is required by law or regulation to consummate an investment transaction.

Aggregate Asset Allocation



The Plan has adopted a target allocation to private equity of 8.0% of the market value of the total assets

- The Retirement Fund began committing to the private markets in 2005. As of September 30, 2017, private equity represented approximately 3.4% of the Retirement Fund's assets, excluding unfunded commitments (7.5% with unfunded)
- The Health Fund began committing to private markets in 2008. As of September 30, 2017, private equity represented approximately 3.5% of the Health Fund's assets, excluding unfunded commitments (8.0% with unfunded)
- Depending on allocations to each private equity sub-sector, the rate at which the Plan progresses towards its 8.0% private equity exposure target may vary to a degree
- As a relatively young program, it will take a number of years before the full target allocation is reached

Strategic and Pacing Plan Overview



- **Strategic Plan:** a long-term investment plan designed to achieve the Plan’s investment objectives
 - The Plan’s staff has worked with StepStone Group (“StepStone”) to develop a pacing plan to prudently achieve and maintain a targeted asset allocation to the Plan’s private equity investment strategies over the short and medium-term (i.e., five year)
 - The pacing plan includes portfolio construction objectives created to achieve appropriate diversification by strategy, geography, and manager
- **Tactical Plan:** tactical recommendations for potential allocation opportunities for calendar year 2018 that facilitate and align with the execution of the Strategic Plan
 - The Plan’s staff and StepStone have developed a pipeline of near-term opportunities that will be leveraged to identify attractive fund investment opportunities for the annual plan
 - Tactical Plan executes on the Strategic Plan within the context of the opportunities available, current market environment and any near-term priorities

- **Strategic Plan:**

- Target US\$390 million of annual private equity commitments in 2018 and increasing thereafter in order to smooth deployment pacing and achieve target of 8% exposure by fair market value (“FMV”) to private equity as a percentage of the Plan’s program assets.
 - The Retirement Fund: Target US\$325 million of annual private equity commitments in 2018. Target three to five investments annually with an average investment size of US\$75 million
 - The Health Fund: Target US\$65 million of annual private equity commitments in 2018. Target three to five investments annually with an average investment size of US\$15 million
- Increase geographic diversification by targeting commitments to fund managers with a European focus in order to achieve the long term target exposure to Europe, and selectively commit to other international regions, including Asia and Emerging Markets
- Underweight Venture Capital and Fund of Funds exposure through an increase in complementary late stage/growth capital commitments, which can be made directly and at scale
- Develop program to leverage co-investment opportunities generated from the Plan’s portfolio, providing improved net return potential

- **Tactical Plan:**

- Focus on deploying capital in funds with existing, high-quality Plan managers
- Continue to identify and commit to high-conviction Buyout funds
- Foreign currency risk exists and is considered before any commitment is made, but the impacts from fluctuations can offset each other over the long term
- Develop new manager relationships through commitments to Secondaries, Europe-focused funds and Special Situations funds in order to diversify exposure across multiple Private Equity sectors

Institutional investors in the public market have long sought to incorporate environmental, social and governance (“ESG”) considerations in both research and decision-making process. More recently the private markets have begun to adopt similar practices as evidenced by the growing number of private equity signatories to the UN PRI

- Some GPs and LPs are focusing on Environmental, Social and Governance (ESG)
- Adoption of ESG policies and meaningful integration of ESG consideration throughout the lifecycle of investments is only required by a few investors today
- Perceptions that ESG is just about reputation are shifting – more and more practitioners are finding real benefits
- Private Equity as an active shareholder will be a component in demonstrating ways to realize value from ESG
- Governance, which is a natural part of PE risk-management, continues to remain an area of focus

The Plan’s Existing Policy

- The Retirement Board invests for the long term in private equity funds that they expect will ultimately attain better investment performance by (among other things) operating their businesses with high ethical, social and legal standards
- Under the California Constitution and City of Los Angeles Charter, the duty to the Plan’s members comes first, requiring the Retirement Board to exercise a high degree of care, skill, prudence and diligence, and to diversify investments to avoid risk

Retirement Fund

Historical Portfolio Review

Annual Commitment Analysis

- **2017 commitment activity was within target, with US\$254 million committed across five partnerships (by vintage year)**
 - Apollo Investment Fund IX
 - Clayton, Dubilier & Rice Fund X
 - EnCap Energy Capital Fund XI
 - Industry Ventures Secondary VIII
 - Silver Lake Partners V

- **Annual pacing has increased but remains in line to continue desired exposure**
 - Liquidity concerns led to conservative pacing following the Global Financial Crisis
 - Increased target allocation in 2015 was also a factor

(US\$ in millions)

Historical Retirement Fund Commitment Activity		
Vintage Year	Partnerships	Commitments
2006	2	\$60.0
2007	1	\$20.0
2008	2	\$50.0
2009	2	\$46.0
2010	0	\$0.0
2011	3	\$54.5
2012	1	\$25.0
2013	5	\$134.0
2014	2	\$100.0
2015	3	\$137.0
2016	4	\$275.0
2017	5	\$253.5
Total Program	30	\$1,155.0

Annual Commitment Analysis

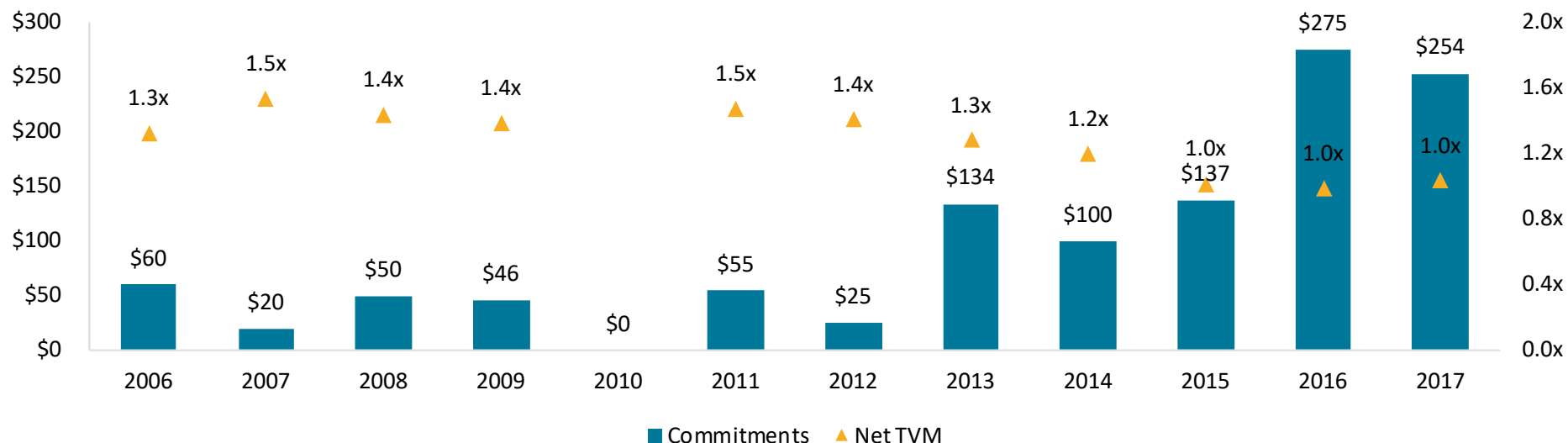
Portfolio Status

- Since inception through September 30, 2017, the Retirement Fund has committed US\$989 million to 30 partnership investments. The Portfolio has an average investment size of US\$39 million
- As the portfolio continues to mature, careful consideration is given to new relationships while evaluating the performance of existing relationships. StepStone seeks to build a long-term target portfolio of 30 to 35 active managers. Beyond that, there is a risk of over diversification and dilution of outperforming funds resulting in index-like returns

Performance

- As of September 30, 2017, the Retirement Fund has generated an inception-to-date net TVM of 1.3x

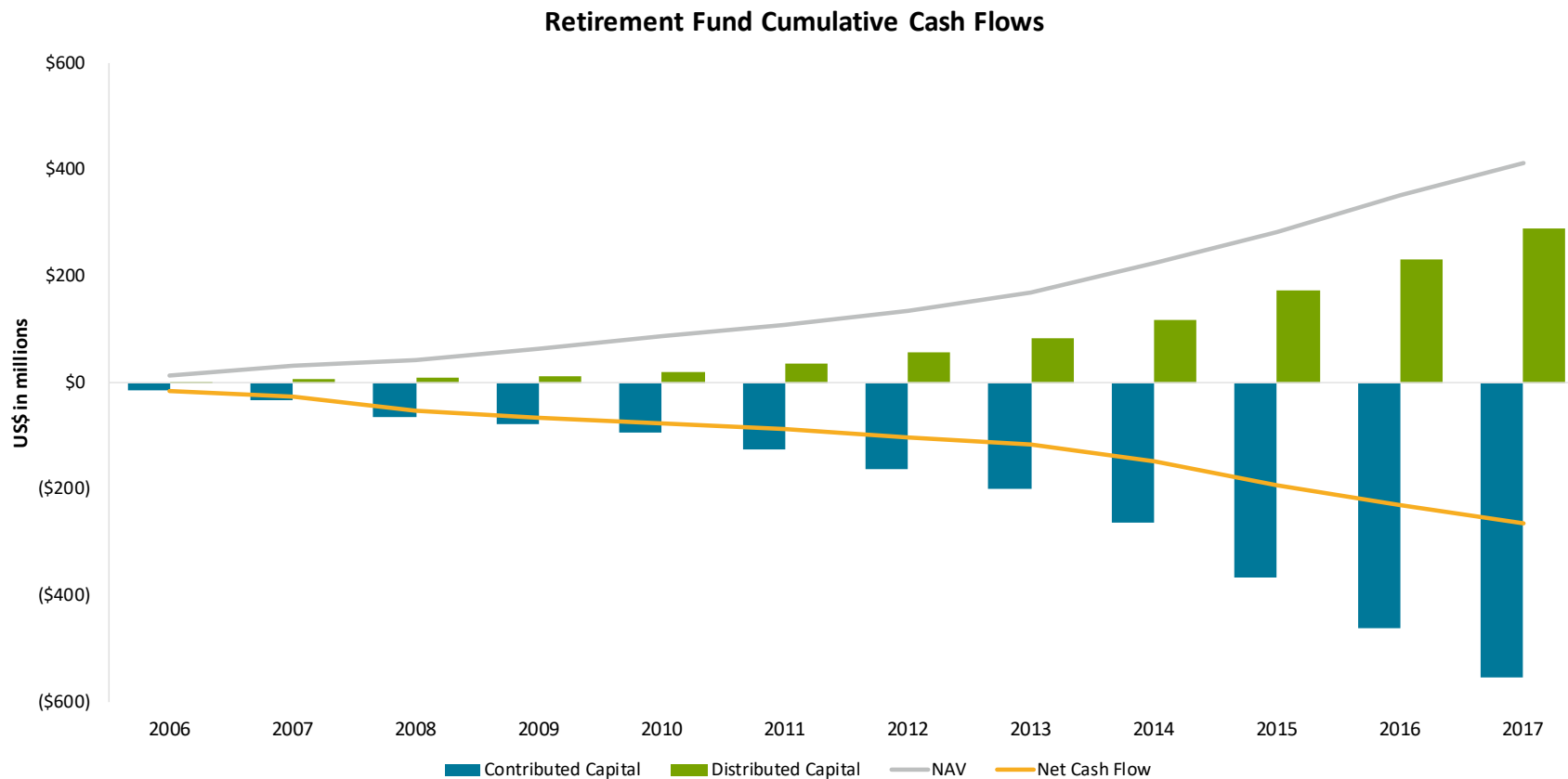
Commitments by Vintage Year
US\$ in millions



NOTES: Includes commitments to funds which closed after September 30, 2017.

PE Portfolio Cash Flow Analysis

- **The private equity portfolio has grown since its inception in 2005**
 - Cumulative contributions reached US\$555 million by year end 2017
 - Cumulative distributions reached US\$290 million by year end 2017
 - Consistent with the step-up in commitments in 2013 and 2015, a material increase in capital deployment has occurred over the past two calendar years



Recommended Pacing Plan

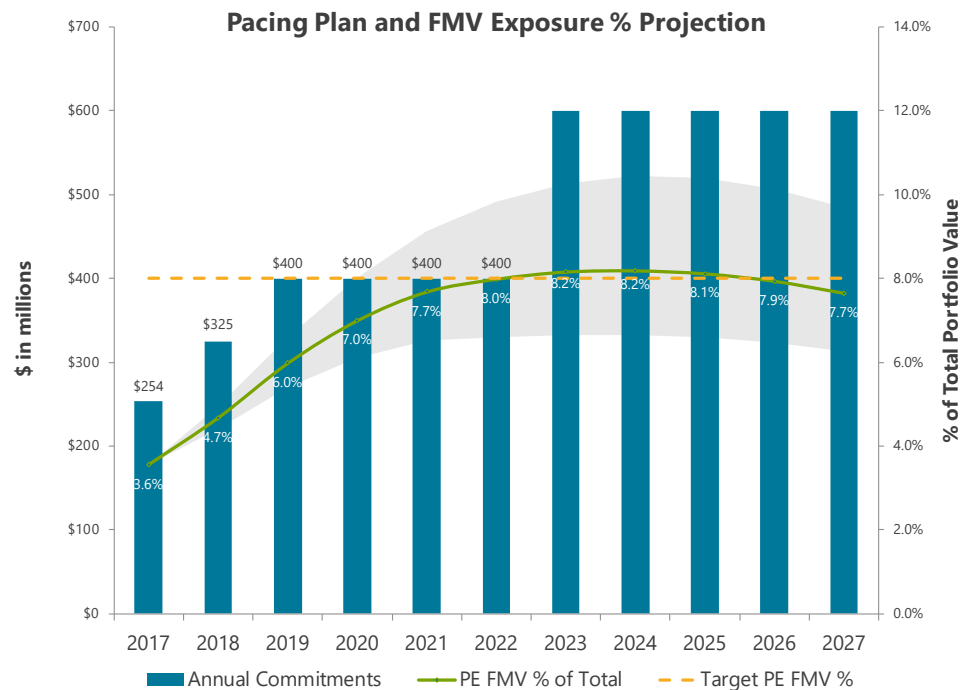
(US\$ in millions)

2018 Investment Plan - Retirement Fund	
	Projections
Commitment Target	\$325
Commitment Sizing	\$50-100
Number of Partnerships	3 - 5 Partnerships

- **StepStone recommends the Retirement Fund target US\$325 million in commitments in 2018, and US\$400 million in commitments per year from 2019-2022**
 - Target approximately US\$75 million commitment per opportunity
 - Commitment target may scale up or down depending on opportunity set and availability of allocation
- **Target three to five partnerships during the year**
 - Provides proper diversification across investment opportunities
 - Controls number of relationships
 - Opportunistically consider attractive exposures
- **Continue to update pacing targets on an annual basis**
 - Incorporate volatility of public markets and overall Plan growth
 - Update actual private equity cash flows and NAVs

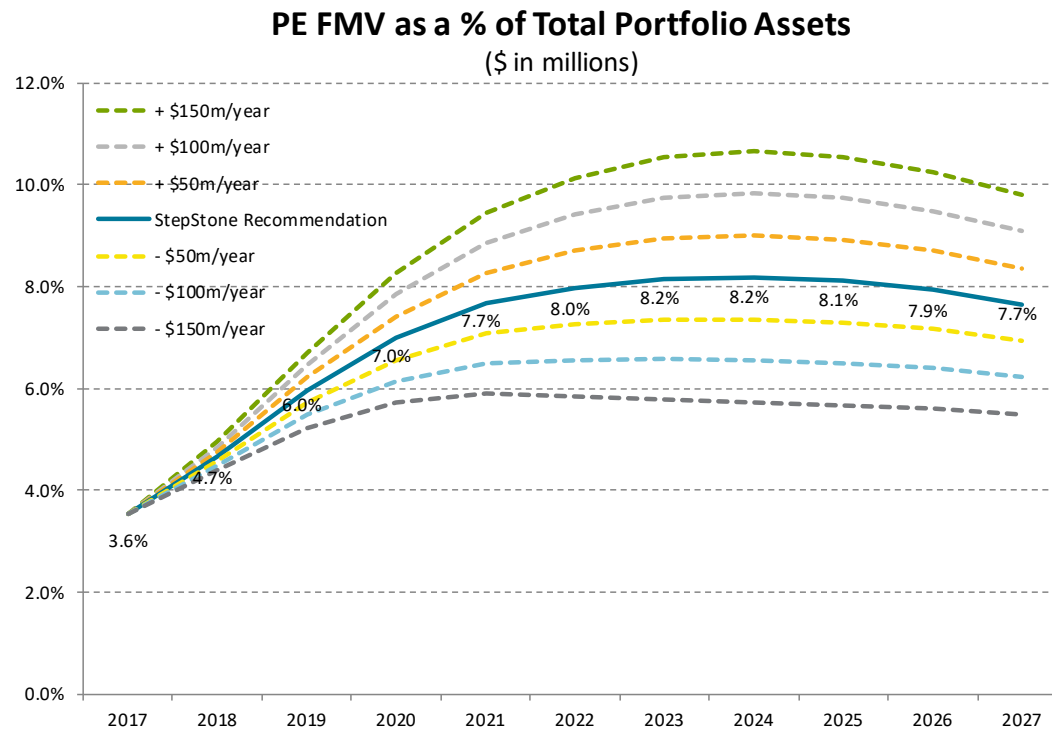
Pacing Analysis

- An annual pacing scenario analysis was conducted to:
 - Illustrate the projected movement in private equity FMV as a percentage of the Retirement Fund
 - Present different annual commitment pacing scenarios to vary the pace of private equity FMV exposure
- The analysis is based on the Retirement Fund’s financial information as of December 31, 2017. The first new commitment is assumed to be made in 2018
- The pacing plan will be annually reviewed and updated with recommendations and assumptions reassessed based on the Plan’s overall targets as well as the general market environment
- At the base case commitment level of US\$325 to US\$400 million from 2018-2022, the Retirement Fund is projected to reach its 8.0% target by 2022



Pacing Plan – FMV Exposure Projection

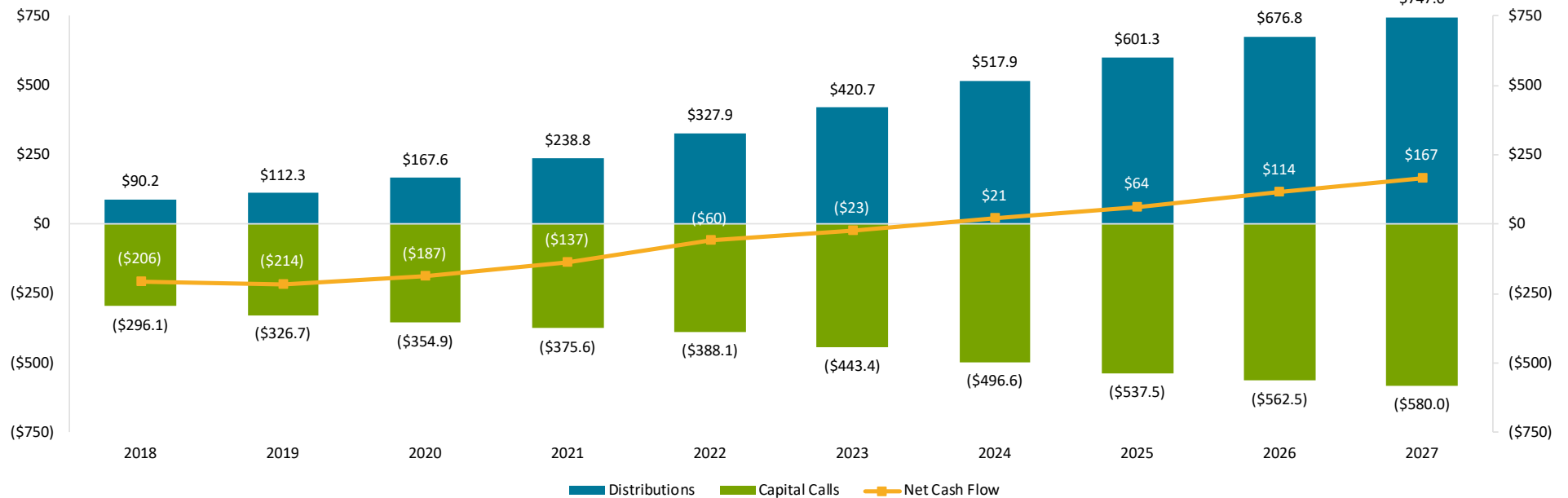
- StepStone sensitized the Retirement Fund private equity FMV exposure for multiple deployment levels versus the proposed pacing level of US\$325-400 million per year
 - Increasing commitments from the base case commitment level by US\$50 million per year would allow the Retirement Fund to reach the targeted 8% FMV private equity exposure one year earlier (2021)
 - Increasing commitments from the base case commitment level by US\$100 million per year would allow the Retirement Fund to reach the targeted 8% FMV private equity exposure two years earlier (2020)



Pacing Plan – Cash Flow Projection

- Based on the base case assumptions, StepStone projected the anticipated capital calls (cash outflows), distributions (cash inflows), and net cash flows to the Retirement Fund
- As the Retirement Fund made significant recent commitments but limited allocations prior to 2016, capital calls are projected to exceed distributions in the initial projection years as recent vintage funds drawdown capital to make investments
- Net cash flow becomes positive in 2024 as distributions from new commitments begin outpacing contributions

Retirement Fund Cash Flow Projection
(US\$ in millions)



Health Fund

Historical Portfolio Review

Annual Commitment Analysis

- **2017 commitment activity was within target, with US\$52 million committed across five partnerships (by vintage year)**
 - Apollo Investment Fund IX
 - Clayton, Dubilier & Rice Fund X
 - EnCap Energy Capital Fund XI
 - Industry Ventures Secondary VIII
 - Silver Lake Partners V

- **Annual pacing has increased but remains in line to continue desired exposure**
 - Liquidity concerns led to conservative pacing following the Global Financial Crisis
 - Increased target allocation in 2015 was also a factor

(US\$ in millions)

Historical Health Fund Commitment Activity		
Vintage Year	Partnerships	Commitments
2008	1	\$5.0
2009	2	\$7.5
2010	0	\$0.0
2011	4	\$17.5
2012	1	\$5.0
2013	4	\$21.0
2014	3	\$23.0
2015	2	\$20.0
2016	4	\$55.0
2017	5	\$51.5
Total Program	26	\$205.5

Annual Commitment Analysis

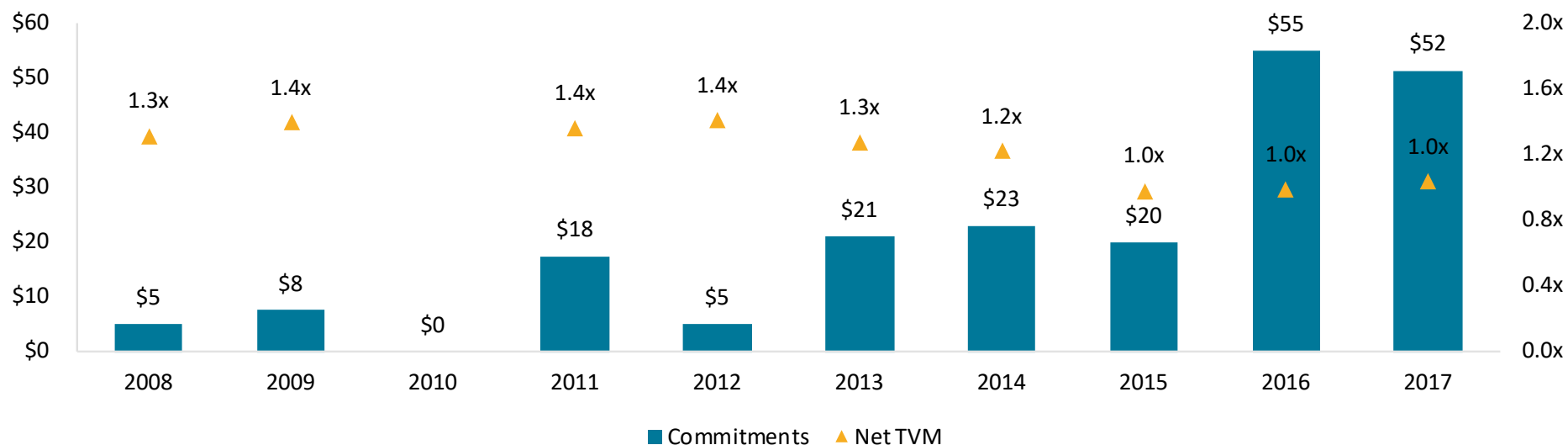
Portfolio Status

- Since inception through September 30, 2017, the Health Fund has committed US\$206 million to 26 partnership investments. The Portfolio has an average investment size of US\$8 million
- As the portfolio continues to mature, careful consideration is given to new relationships while evaluating the performance of existing relationships. StepStone seeks to build a long-term target portfolio of 30 to 35 active managers. Beyond that, there is a risk of over diversification and dilution of outperforming funds resulting in index-like returns

Performance

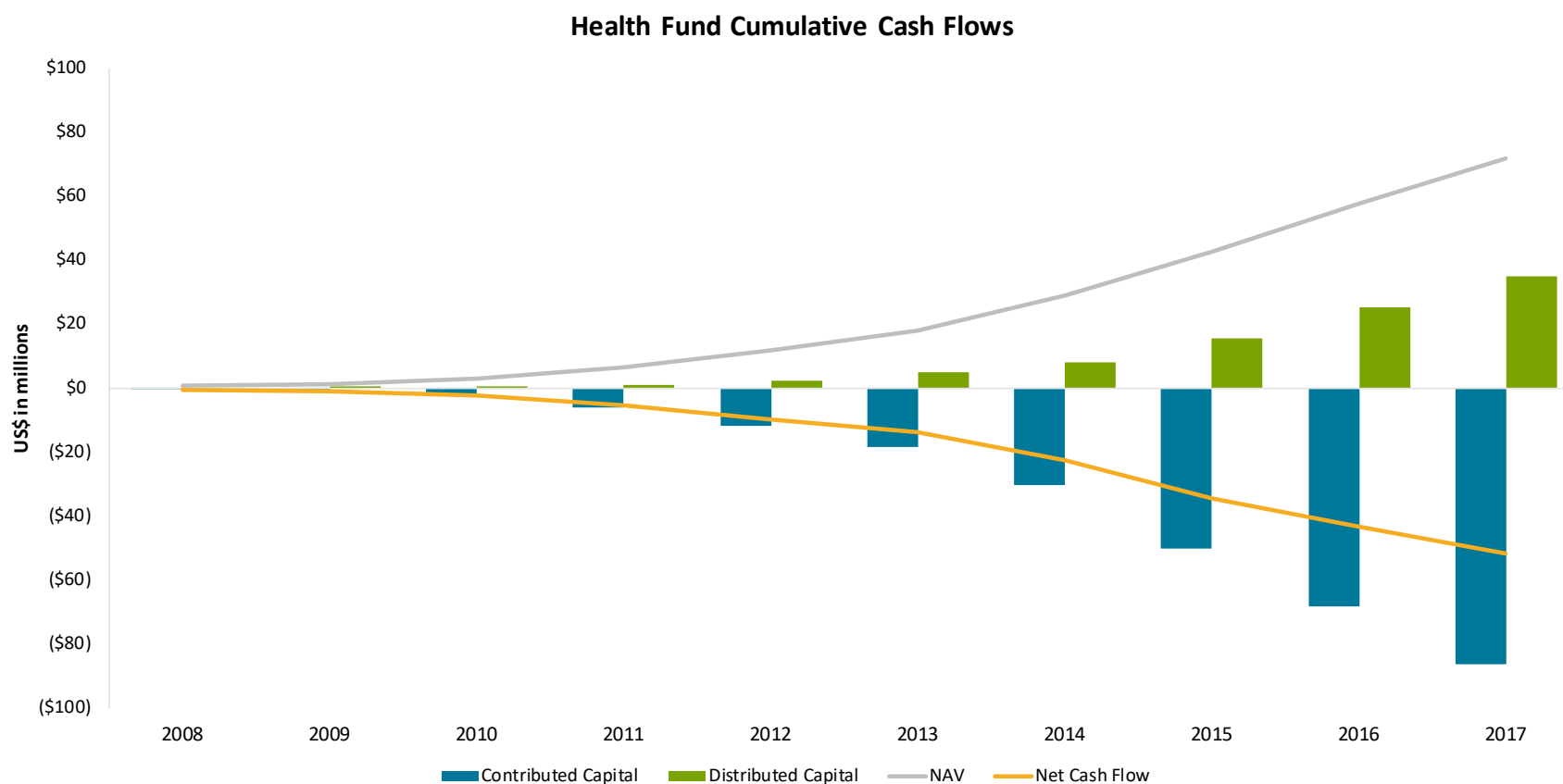
- As of September 30, 2017, the Health Fund has generated an inception-to-date net TVM of 1.2x

Commitments by Vintage Year
US\$ in millions



PE Portfolio Cash Flow Analysis

- **The private equity portfolio has grown since its inception in 2005**
 - Cumulative contributions reached US\$86 million by year end 2017
 - Cumulative distributions reached US\$35 million by year end 2017
 - Consistent with the step-up in commitments in 2013, a material increase in capital deployment has occurred over the past two calendar years



Recommended Pacing Plan

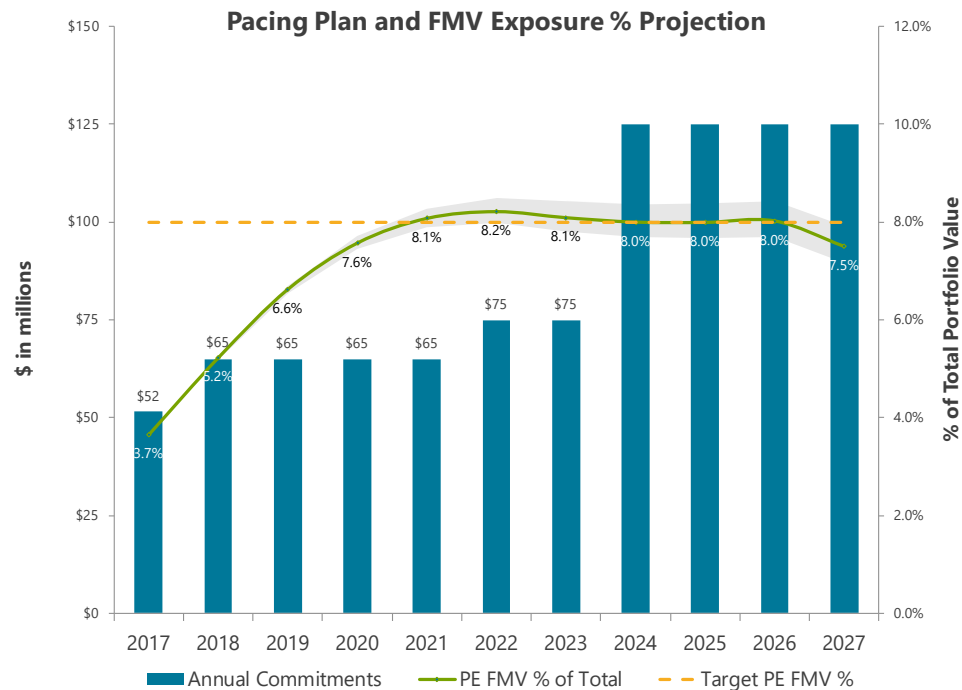
(US\$ in millions)

2018 Investment Plan - Health Fund	
	Projections
Commitment Target	\$65
Commitment Sizing	\$10-20
Number of Partnerships	3 - 5 Partnerships

- **StepStone recommends the Health Fund target US\$65 million in commitments per year from 2018-2021**
 - Target approximately US\$15 million commitment per opportunity
 - Commitment target may scale up or down depending on opportunity set and availability of allocation
- **Target three to five partnerships during the year**
 - Provides proper diversification across investment opportunities
 - Controls number of relationships
 - Opportunistically consider attractive exposures
- **Continue to update pacing targets on an annual basis**
 - Incorporate volatility of public markets and overall Plan growth
 - Update actual private equity cash flows and NAVs

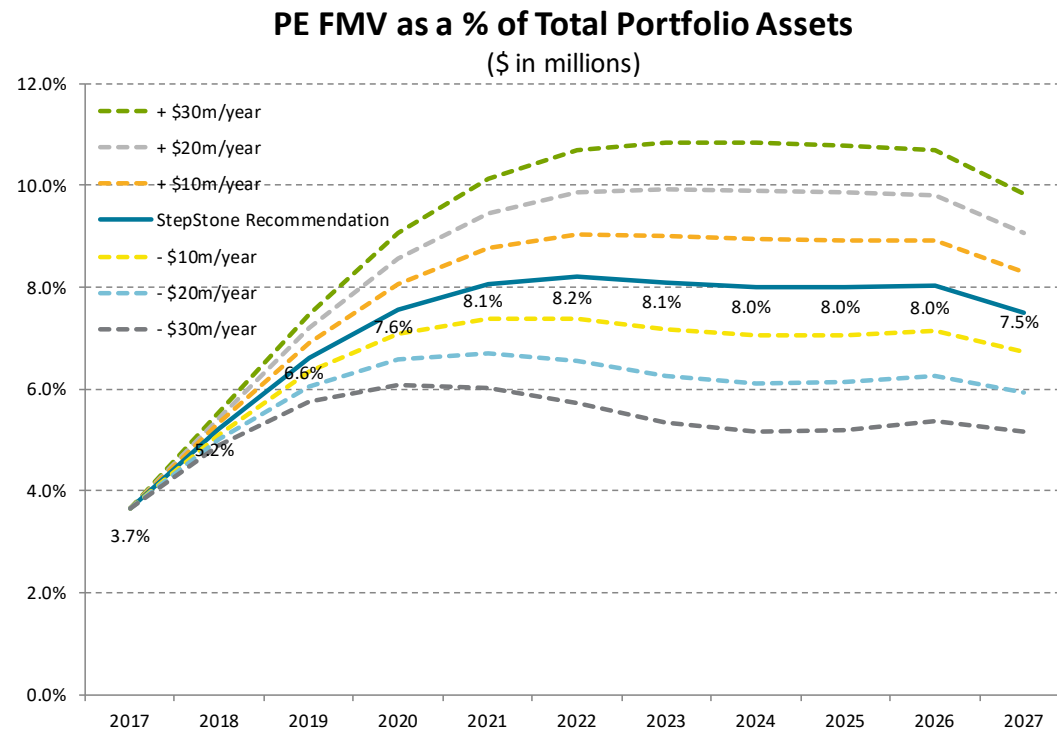
Pacing Analysis

- An annual pacing scenario analysis was conducted to:
 - Illustrate the projected movement in private equity FMV as a percentage of the Health Fund
 - Present different annual commitment pacing scenarios to vary the pace of private equity FMV exposure
- The analysis is based on the Health Fund’s financial information as of December 31, 2017. The first new commitment is assumed to be made in 2018
- The pacing plan will be annually reviewed and updated with recommendations and assumptions reassessed based on the Plan’s overall targets as well as the general market environment
- At the base case commitment level of US\$65 million from 2018-2021, the Health Fund is projected to reach its 8.0% target by 2021



Pacing Plan – FMV Exposure Projection

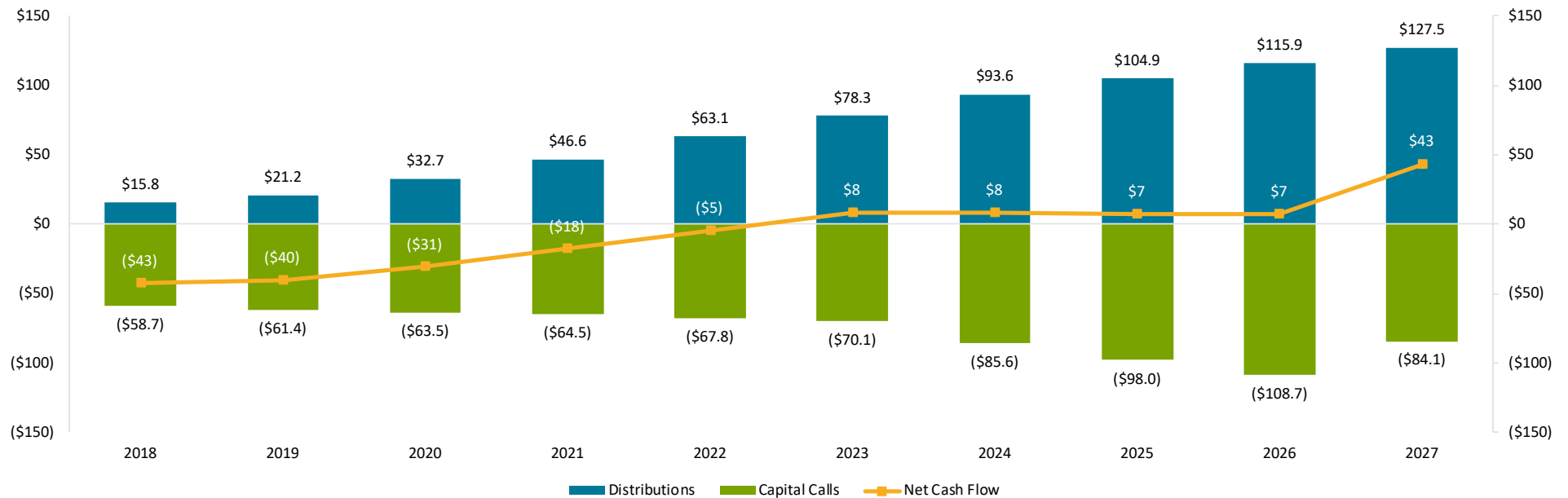
- **StepStone sensitized the Health Fund private equity FMV exposure for multiple deployment levels versus the proposed pacing level of US\$65 million per year**
 - Increasing commitments from the base case commitment level by US\$10 million per year would allow the Health Fund to reach the targeted 8% FMV private equity exposure one year earlier (2020)
 - Increasing commitments from the base case commitment level by US\$20 million per year would allow the Health Fund to consistently exceed the targeted 8% FMV private equity exposure starting in 2020



Pacing Plan – Cash Flow Projection

- Based on the base case assumptions, StepStone projected the anticipated capital calls (cash outflows), distributions (cash inflows), and net cash flows to the Health Fund
- As the Health Fund made significant recent commitments but limited allocations prior to 2016, capital calls are projected to exceed distributions in the initial projection years as recent vintage funds drawdown capital to make investments
- Net cash flow becomes positive in 2023 as distributions from new commitments begin outpacing contributions

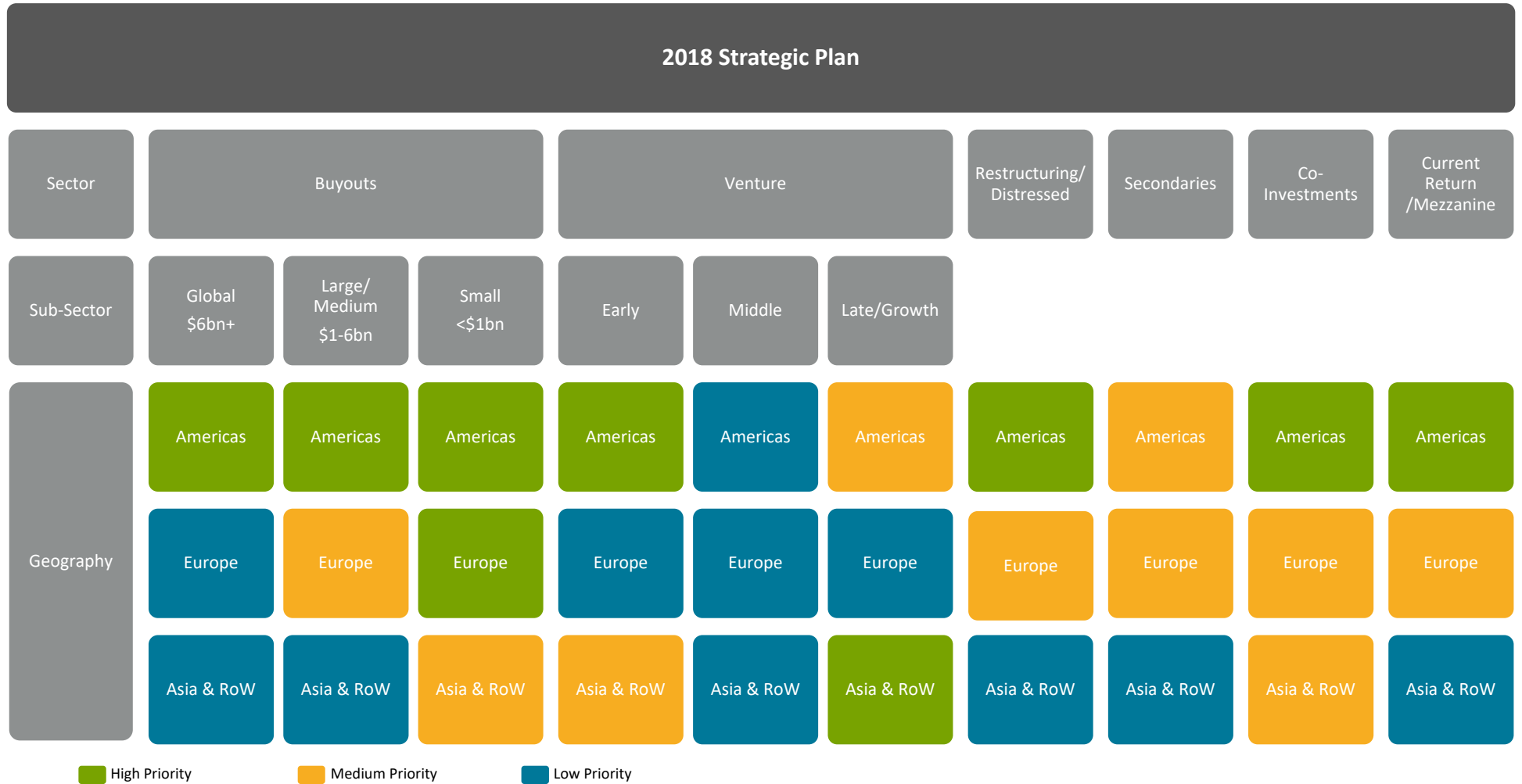
Health Fund Cash Flow Projection
(US\$ in millions)



Recommended Long Term Strategic Plan

Strategic Planning

- Near term opportunities will target North American Buyout, select European opportunities and Restructuring/Distressed situations.



Note: 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.

Recommended Portfolio Construction

Allocation by sector based on target private equity commitments of US\$390 million for 2018:

(US\$ in millions)

Sector	Portfolio Exposure		Market	CY 2018 Target		
	Actual	Long Term Target	PE Fundraising Activity	Target Commitments	Target Funds / Deals	Target Size / Fund
Buyout	58%	60-70%	67%	Up to \$250	2-3	Up to \$100
Secondaries	11%	10-15%	7%	Up to \$75	0-1	Up to \$75
Growth Equity	10%	5-15%	4%*	Up to \$50	0-1	Up to \$50
Mezzanine	9%	0-5%	5%	-	-	-
Restructuring/Distressed	8%	10-20%	7%	Up to \$100	1-2	Up to \$50
Venture	5%	0-5%	10%*	Up to \$50	0-1	Up to \$50
Co-investments	0%	0-5%	0%	Up to \$25	0-1	Up to \$25
Total	100%	100%	100%	\$390	3-5	

- StepStone believes an allocation to Restructuring/Distressed can be prudent given strong manager selection and importance of hybrid strategies during economic uncertainty.

NOTE: Private equity fundraising data from 2009-2017, per Burgiss PrivateIQ.

* Burgiss Private iQ combines Venture Capital and Growth Equity for a total of 14% of PE Fundraising Activity. Based on Preqin data over the past 10 years, the ratio of Venture Capital to Growth Equity fundraising has been 7/3, thus the estimated breakdown between the two is shown using that ratio.

Recommended Portfolio Construction (cont'd)



Allocation by geography based on target private equity commitments of US\$390 million for 2018:

(US\$ in millions)

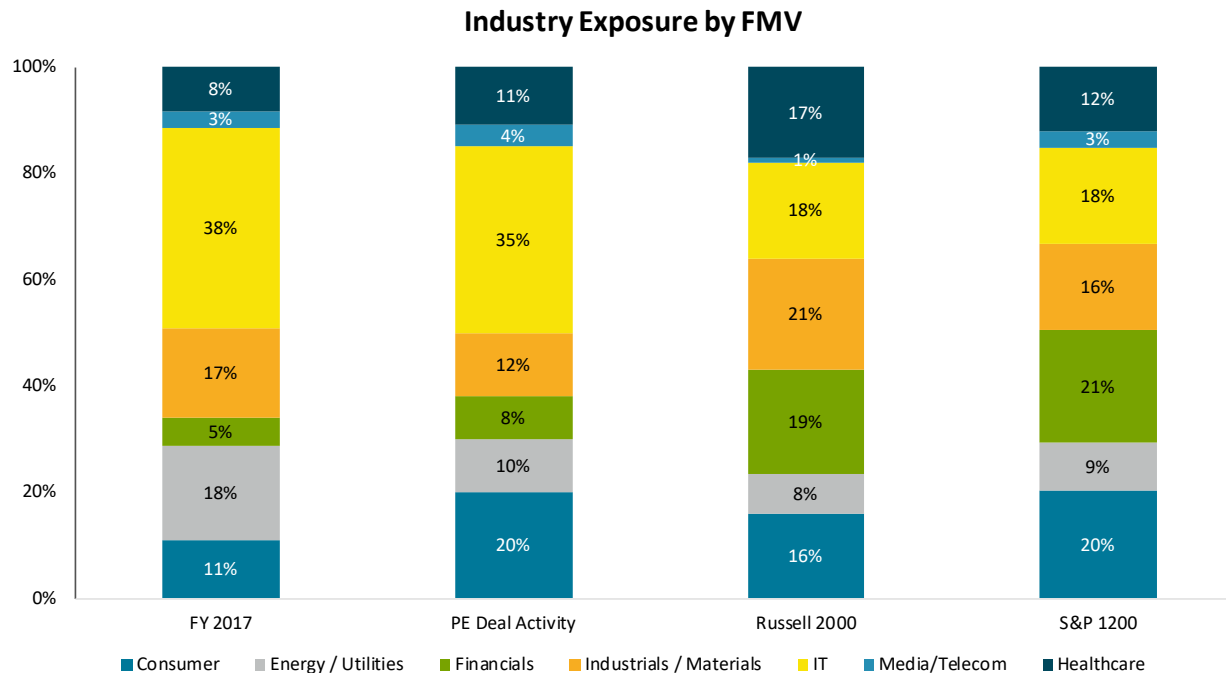
Geography	Portfolio Exposure			Market			CY 2018 Target
	Fund Level	Company Level	Long Term Target	GDP	PE Deal Activity	PE Fundraising Activity	Target Commitments
Global	78%	-	-	-	-	-	Up to \$100
North America	22%	86%	65-85%	34%	58%	68%	Up to \$300
Europe	-	12%	15-25%	26%	15%	20%	Up to \$125
Asia / Rest of World	-	2%	0-10%	40%	27%	12%	-
Total	100%	100%	100%	100%	100%	100%	\$390

- The Plan's private equity geographic exposure is classified on an individual company basis by North America, Europe, and Asia / Rest of World.
- StepStone proposes that the Plan have a long term target allocation of 65-85% North America, 15-25% Europe, and 0-10% to Asia / Rest of World.

NOTE: Private equity fundraising data from 2009-2017, per Burgiss PrivateIQ. 2017 GDP (est.) as provided by the IMF. PE Deal Activity based on Thomson One deal activity from 2009-2017. Secondary Fund commitments are removed from the geographic exposure for the Plan.

Industry FMV Exposure

The Plan's private equity industry exposure is classified under the following categories: Consumer, Energy, Financials, Industrials, Information Technology (IT), Media/Telecom, and Healthcare



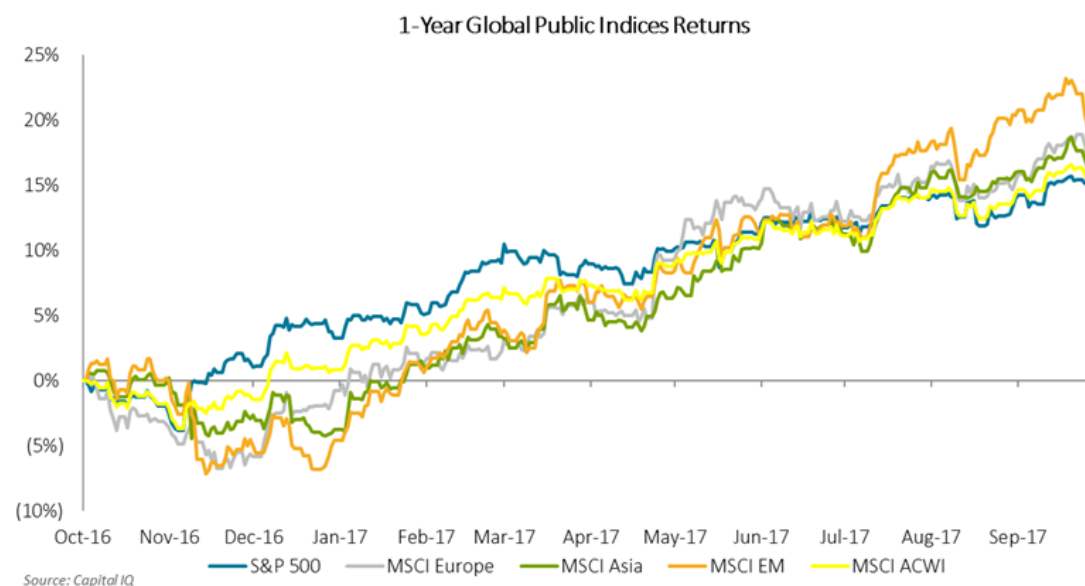
- Versus market benchmarks such as the Russell 2000 or S&P 1200:
 - The Plan's private equity portfolio is overweight on Information Technology and Energy
 - While being underweight on Consumer, Financials, and Healthcare

NOTE: Russell 2000 index as of February 2018. S&P 1200 index as of November 2017. PE Deal Activity based on Thomson One data from 2009-2017. Market values for FY 2017 include both the Retirement Fund and the Health Fund. Investments in funds are classified under a Diverse strategy and not shown above. This category accounts for 17% and 6% of the Plan's private equity exposure and Russell 2000, respectively.

Market Overview

Market Overview – Public Markets

- Global equity markets continued their ascent in the third quarter of 2017, as the run-up in US equities continued with the S&P 500 Total Return index gaining 4.5% for the quarter. However, the S&P 500 Total Return index lagged other global benchmarks during the quarter.
 - The MSCI Emerging Markets index outperformed the European, Asia, and US regional indices, increasing 7.0% for the quarter.



Regional Indices

	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
MSCI Asia	4.6%	16.4%	5.7%	6.7%	0.2%
MSCI Europe	6.0%	19.0%	1.5%	5.4%	(1.9%)
MSCI EM	7.0%	19.7%	2.5%	1.5%	(1.1%)
MSCI ACWI	4.7%	16.4%	5.3%	8.0%	1.7%
S&P 500	4.0%	16.2%	8.5%	11.8%	5.1%
S&P 500 Total Return*	4.5%	18.6%	10.8%	14.2%	7.4%

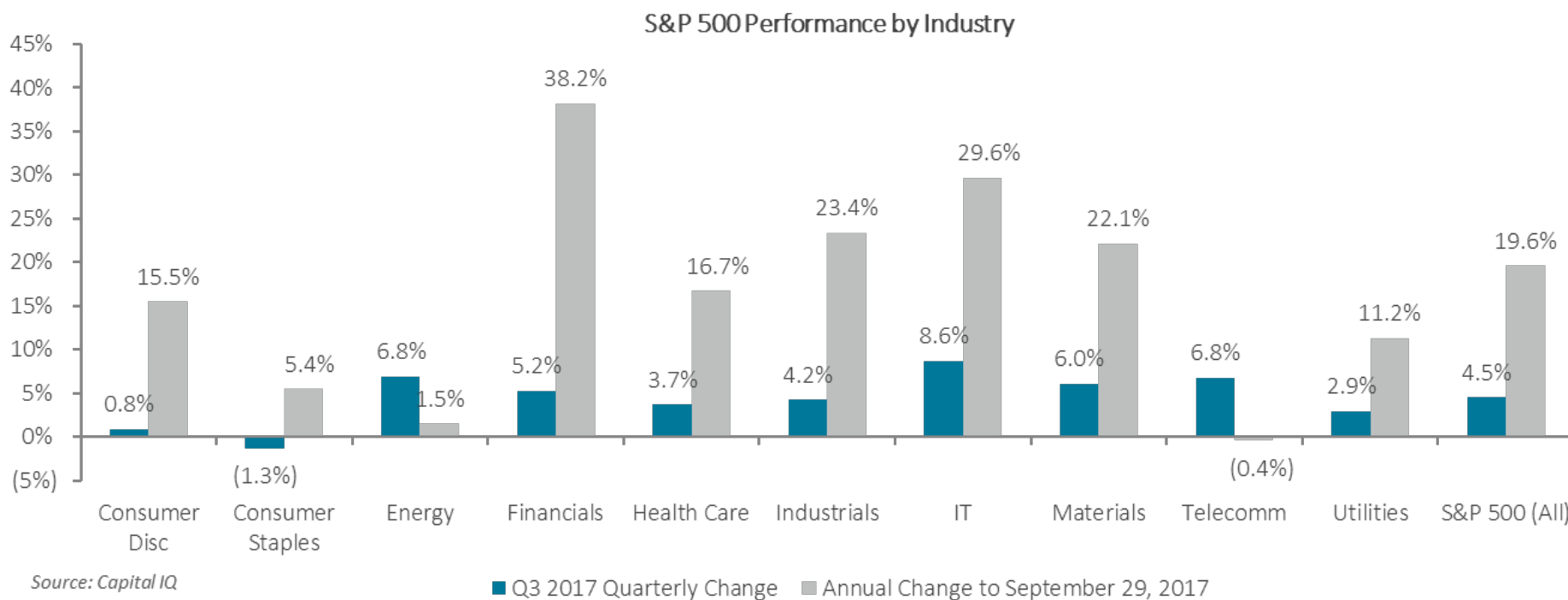
For the period ended September 30, 2017

*Includes reinvestment of dividends.

Source: Capital IQ

Market Overview – Sector Overview

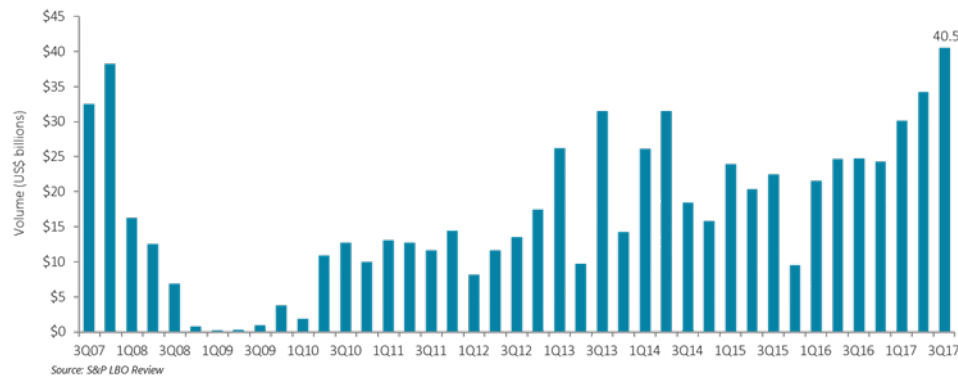
- **Nine out of ten industry sectors advanced for the quarter**
 - Information Technology (“IT”) was the best performing sector, up 8.6% for the quarter
 - Consumer staples was the worst performing sector, down 1.3% for the quarter



Market Overview – LBO Activity

- **U.S. LBO loan new issuance totaled US\$40.5 billion during the quarter, increasing 18.1% from the prior quarter**
 - LBO spreads remained relatively flat after a steady downward trend since 2016
 - YTD dividend/stock repurchase volume was 87.4% of total 2016 volume
 - Public-to-Private LBO transaction volume is up 14.9%, compared to the first three quarters of 2016

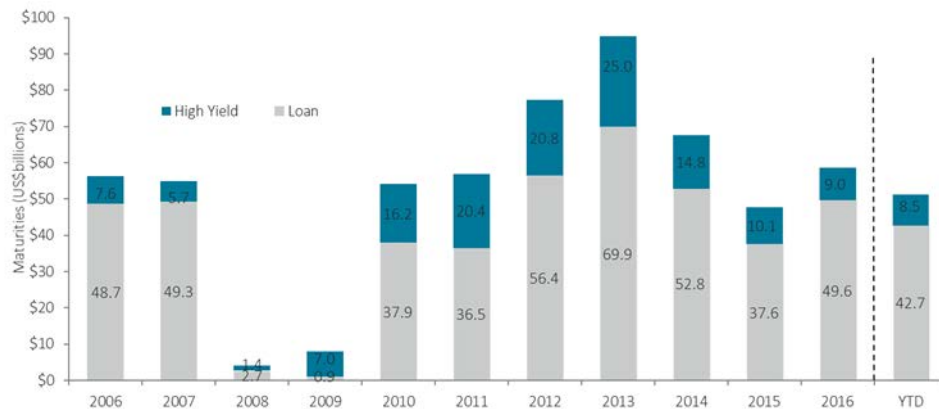
Quarterly U.S. LBO Loan New Issuance



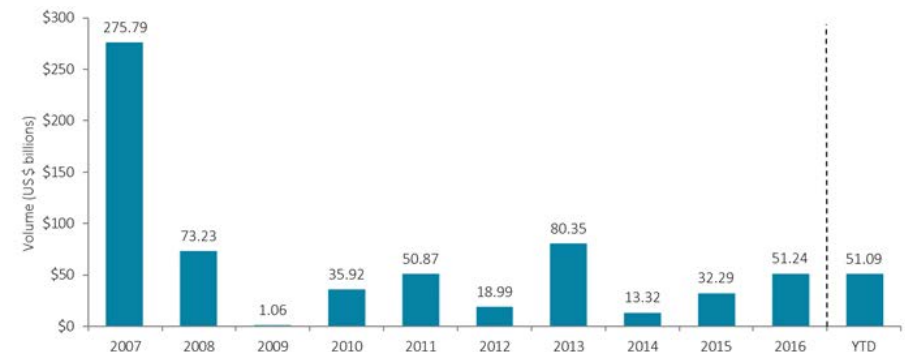
Pro Rata Spread of LBOs



Dividend/Stock Repurchase Volume



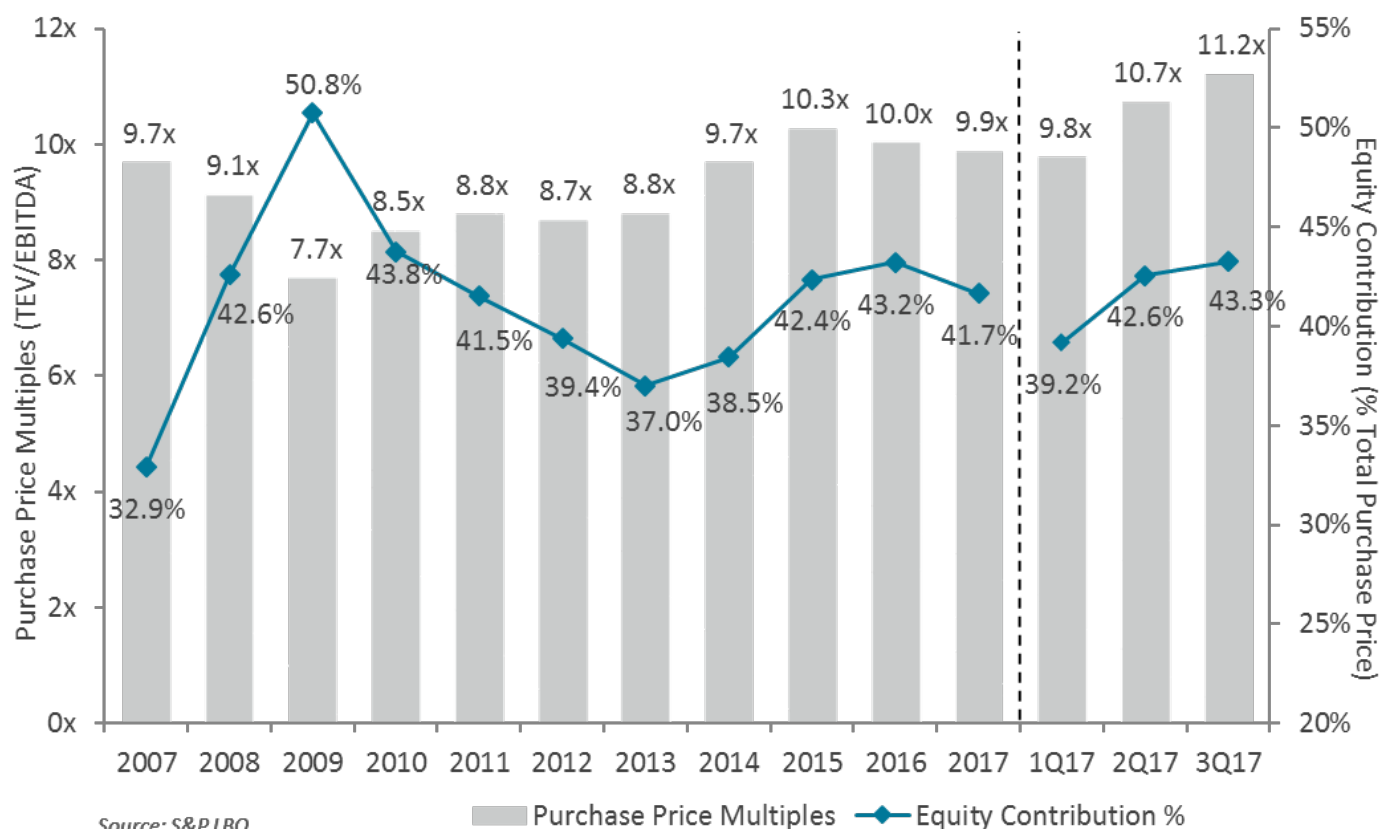
Public-to-Private LBO Transaction Volume



Market Overview – LBO Activity

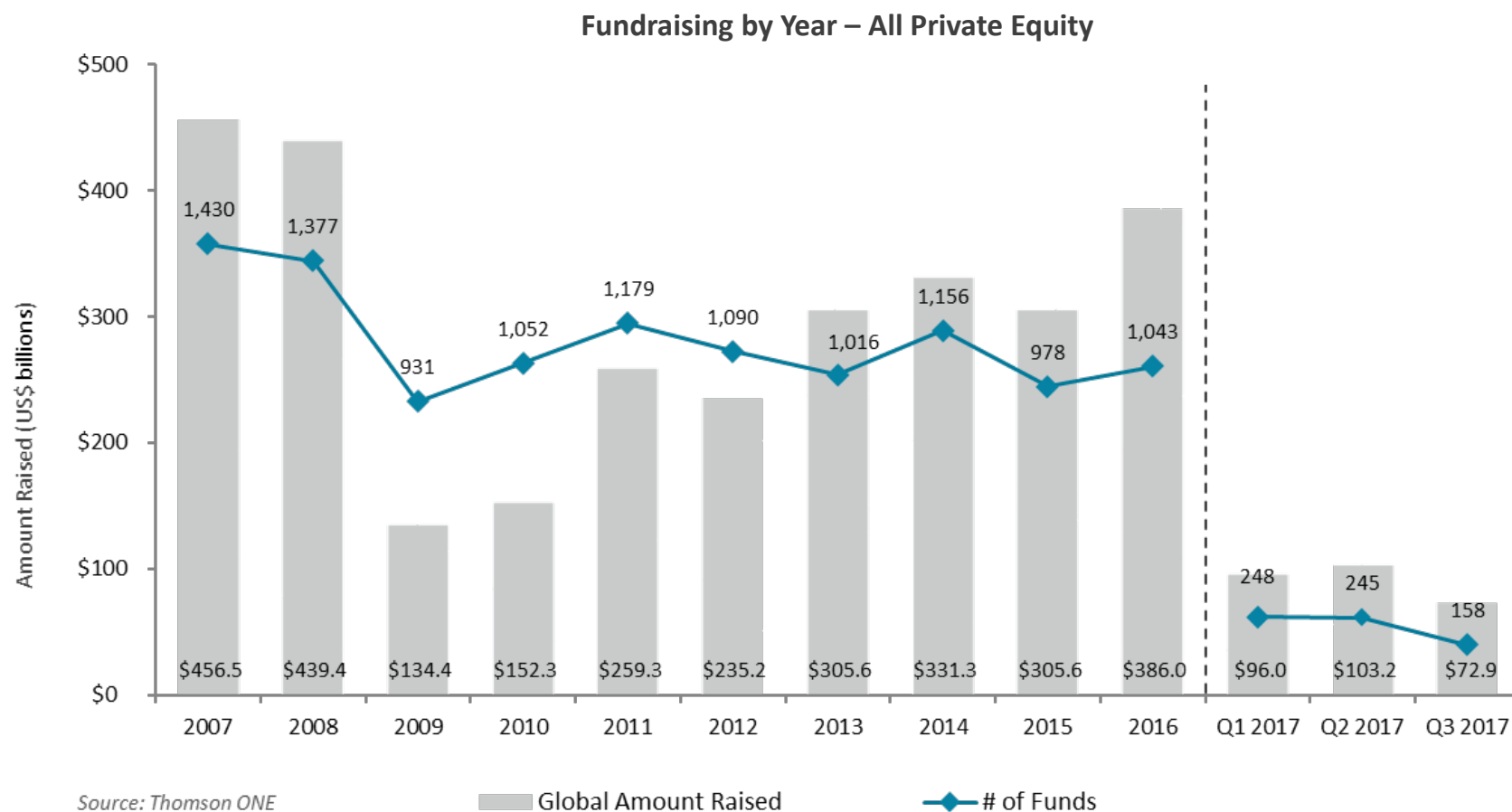
- Purchase price multiples for U.S. LBOs increased to 11.2x EBITDA in the third quarter of 2017**
 - The third quarter purchase price multiple increased 4.5% from 10.7x in the second quarter of 2017 and is 5.5% greater than the 10.6x multiple from the third quarter of 2016
 - Equity contributions for U.S. LBOs increased quarter-over-quarter, from 42.6% in the previous quarter to 43.3% in the third quarter

Purchase Price Multiples and Equity Contribution for U.S. LBOs



Market Overview – Private Equity Fundraising

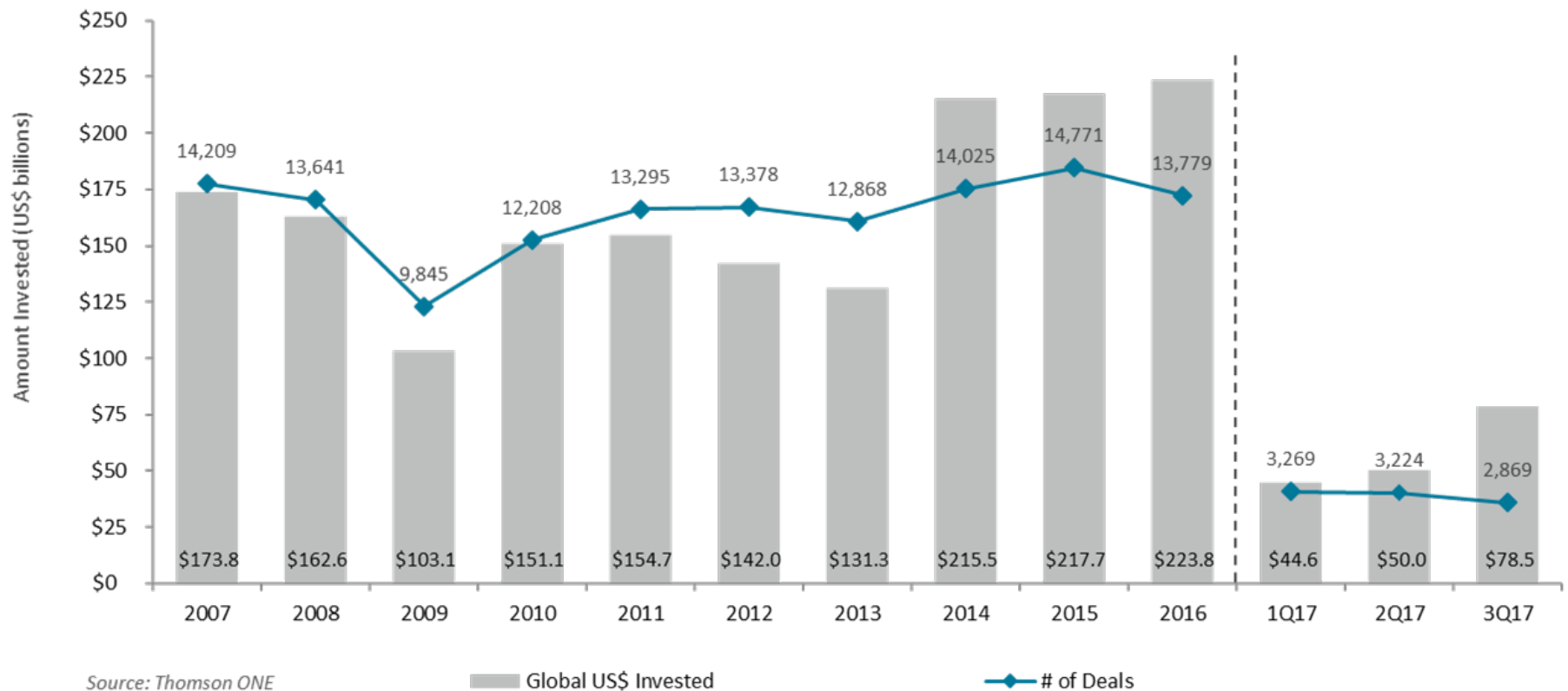
- Private equity fundraising totaled US\$72.9 billion in the third quarter of 2017
 - Private equity fundraising decreased 29.3% compared to the second quarter of 2017 and 30.6% from the third quarter of 2016
 - Buyout fundraising decreased 22.6% quarter-over-quarter and 5.5% from the third quarter of last year



Market Overview – Private Equity Investment Activity **STEPSTONE** inside private markets

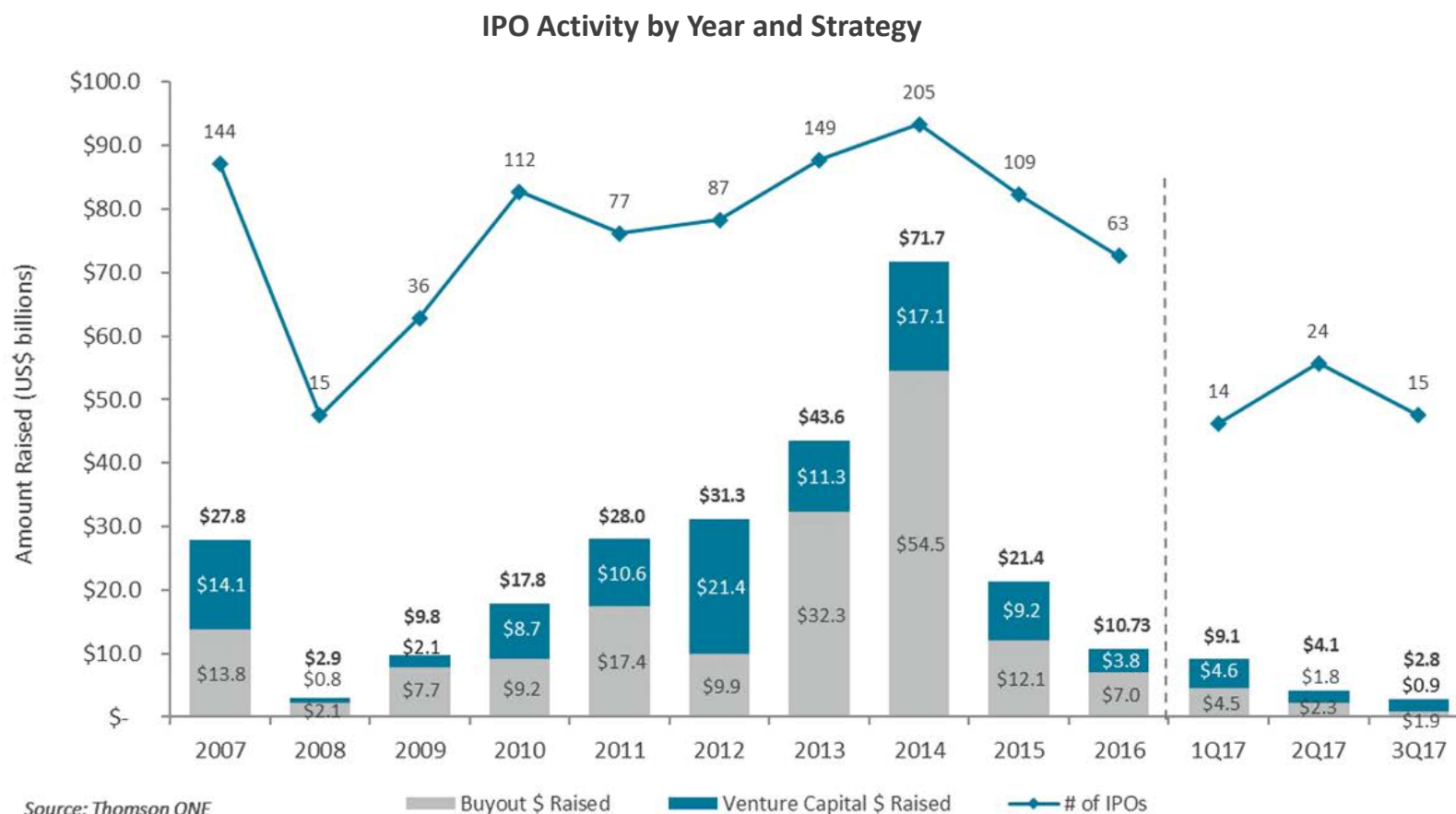
- Private equity funds invested US\$78.5 billion globally during the third quarter of 2017, representing an increase of 57.0% compared to the prior quarter
 - The average investment size during the quarter was US\$27.4 million, up 76.4% quarter-over-quarter

Investment Activity – All Private Equity



Market Overview – IPO Activity

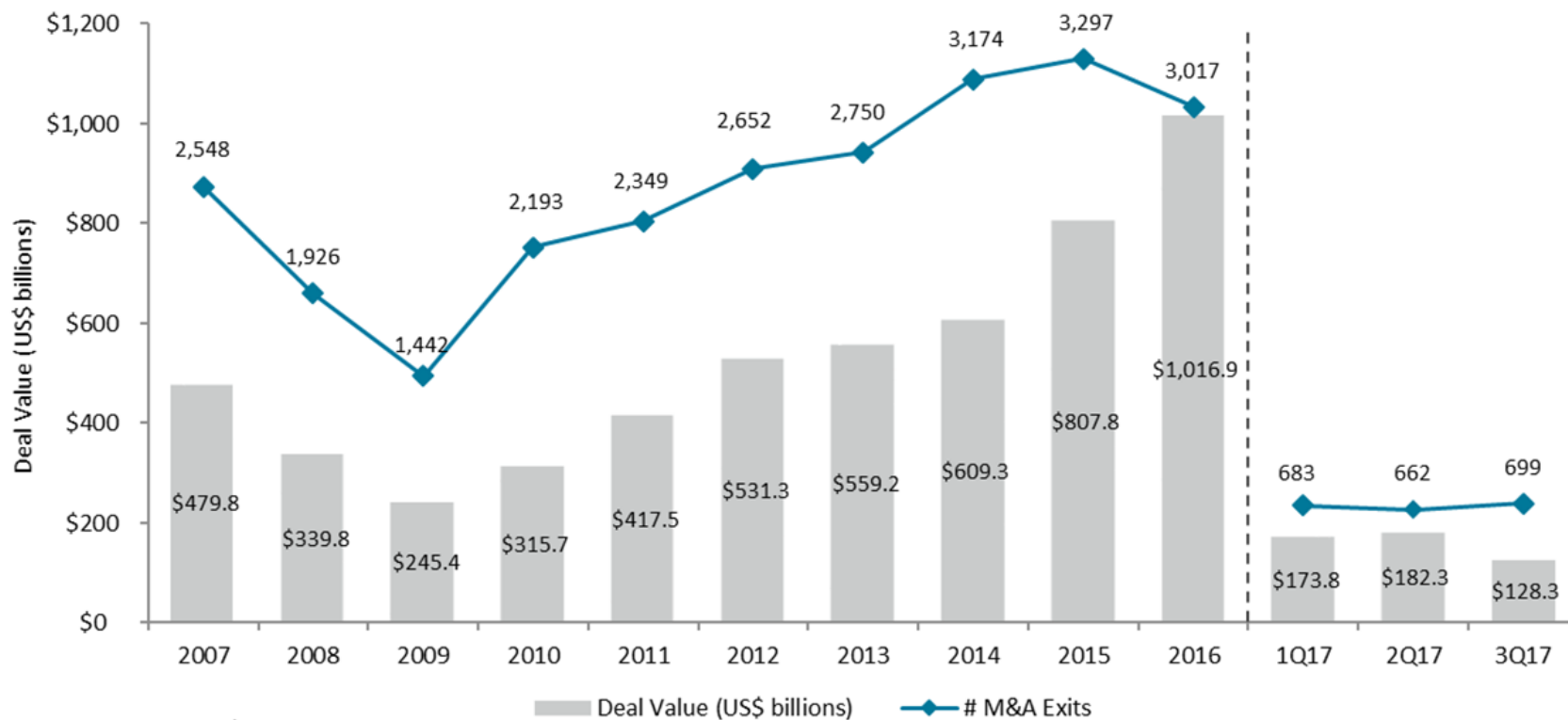
- The third quarter of 2017 experienced 15 private equity-backed IPOs, raising US\$2.8 billion in proceeds, on the New York Stock Exchange and the NASDAQ
 - The number of private equity-backed IPOs decreased from 24 in the second quarter of 2017
 - In terms of total amount raised, this quarter is 33.1% lower than the prior quarter, and 12.1% lower than the second quarter of 2016. The US\$517.5 million BEST, Inc. (NYSE: BSTI) IPO was the biggest IPO for the quarter.



Market Overview – M&A Activity

- Private equity-backed M&A volume totaled US\$128.3 billion in deals closed during the third quarter of 2017
 - The number of M&A deals increased 5.6% from the prior quarter
 - The largest deal of the quarter was the US\$15.4 billion acquisition of Mobileye N.V. (OTCPK: MBBY.F) by Intel (Nasdaq: INTC) and the US\$14.6 billion purchase of Whole Foods Market, Inc. by Amazon (Nasdaq: AMZN). Together these deals represent 23.4% of the total value for all deals in the quarter.

M&A Activity – All Private Equity



Source: Capital IQ

Appendix

Performance by Manager – Retirement Fund



Retirement Fund Portfolio - Primary								
As of September 30, 2017								
Manager / Fund	Vintage Year	Committed Capital	Market Value	Unfunded Commitment	Total Exposure	TVM	IRR	
Adams Street Partners		125,000,000	8,587,854	116,250,000	124,837,854	NM	NM	
Adams Street Global SMB WPERP Fund L.P.	2016	125,000,000	8,587,854	116,250,000	124,837,854	NM	NM	
Apollo Management		34,000,000	26,829,661	12,496,174	39,325,835	1.26x	16.7%	
Apollo Investment Fund VIII, L.P.	2013	34,000,000	26,829,661	12,496,174	39,325,835	1.26x	16.7%	
Ares Management		135,000,000	42,178,545	88,928,064	131,106,609	1.07x	4.0%	
Ares Corporate Opportunities Fund IV, L.P.	2012	25,000,000	21,459,603	6,008,604	27,468,207	1.41x	15.7%	
Ares Corporate Opportunities Fund V, L.P.	2016	60,000,000	5,395,191	54,206,589	59,601,780	NM	NM	
Ares Special Situations Fund IV, L.P.	2015	50,000,000	15,323,751	28,712,871	44,036,622	0.77x	(16.4%)	
Audax Group		17,000,000	8,673,679	1,849,294	10,522,973	1.28x	9.9%	
Audax Mezzanine III, L.P.	2011	17,000,000	8,673,679	1,849,294	10,522,973	1.28x	9.9%	
Blackstone Group		50,000,000	28,842,871	25,135,697	53,978,568	1.16x	12.1%	
Blackstone Tactical Opportunities Fund II	2015	50,000,000	28,842,871	25,135,697	53,978,568	1.16x	12.1%	
Clayton, Dubilier & Rice		25,000,000	16,837,076	6,684,582	23,521,658	1.33x	19.5%	
Clayton, Dubilier & Rice Fund IX, L.P.	2013	25,000,000	16,837,076	6,684,582	23,521,658	1.33x	19.5%	
Crestview Partners		50,000,000	20,989,158	30,765,544	51,754,702	1.09x	6.2%	
Crestview Partners III, L.P.	2014	50,000,000	20,989,158	30,765,544	51,754,702	1.09x	6.2%	
EnCap Investments		116,500,000	38,650,811	69,672,938	108,323,749	1.14x	8.1%	
EnCap Energy Capital Fund IX, L.P.	2013	17,000,000	12,409,548	2,408,878	14,818,426	1.32x	16.5%	
EnCap Energy Capital Fund VIII, L.P.	2011	12,500,000	5,420,457	1,047,430	6,467,887	0.91x	(3.6%)	
EnCap Energy Capital Fund X, L.P.	2015	37,000,000	20,237,993	17,061,630	37,299,623	1.14x	17.1%	
EnCap Energy Capital Fund XI, L.P.	2017	50,000,000	582,813	49,155,000	49,737,813	NM	NM	
Fisher Lynch Capital		20,000,000	17,378,524	2,370,000	19,748,524	1.65x	9.8%	
Fisher Lynch Venture Partnership II, LP	2008	20,000,000	17,378,524	2,370,000	19,748,524	1.65x	9.8%	
Harvest Partners		30,000,000	8,699,199	20,861,622	29,560,821	NM	NM	
Harvest Partners VII, L.P.	2016	30,000,000	8,699,199	20,861,622	29,560,821	NM	NM	
HRJ Capital		20,000,000	7,236,025	4,750,000	11,986,025	1.54x	7.2%	
HRJ Special Opportunities II, L.P.	2007	20,000,000	7,236,025	4,750,000	11,986,025	1.54x	7.2%	
Industry Ventures		37,500,000	3,076,374	34,875,000	37,951,374	NM	NM	
Industry Ventures Secondary VIII, L.P.	2017	37,500,000	3,076,374	34,875,000	37,951,374	NM	NM	
Landmark Partners		100,000,000	35,018,081	21,372,564	56,390,645	1.27x	7.4%	
Landmark Equity Partners XIII, L.P.	2006	30,000,000	8,084,656	1,201,672	9,286,328	1.27x	5.2%	
Landmark Equity Partners XIV, L.P.	2008	30,000,000	11,443,778	1,219,625	12,663,403	1.32x	10.2%	
Landmark Equity Partners XV, L.P.	2013	40,000,000	15,489,647	18,951,267	34,440,914	1.22x	13.2%	
Lexington Partners		60,000,000	17,428,695	6,563,956	23,992,651	1.45x	9.3%	
Lexington Capital Partners VI, L.P.	2006	30,000,000	5,933,670	490,410	6,424,080	1.37x	6.9%	
Lexington Capital Partners VII, L.P.	2009	30,000,000	11,495,025	6,073,546	17,568,571	1.53x	14.6%	
Oaktree Capital Management		16,000,000	7,885,923	1,761,267	9,647,190	1.15x	3.4%	
Oaktree Principal Fund V, L.P.	2009	16,000,000	7,885,923	1,761,267	9,647,190	1.15x	3.4%	
Silver Lake Partners		18,000,000	17,993,443	3,957,365	21,950,808	1.45x	28.1%	
Silver Lake Partners IV, L.P.	2013	18,000,000	17,993,443	3,957,365	21,950,808	1.45x	28.1%	
Vista Equity Partners		135,000,000	106,756,914	39,619,187	146,376,101	1.32x	14.5%	
Vista Equity Partners Fund IV, L.P.	2011	25,000,000	20,781,154	3,220,177	24,001,331	1.90x	19.2%	
Vista Equity Partners Fund V, L.P.	2014	50,000,000	51,299,235	10,878,928	62,178,163	1.24x	11.7%	
Vista Equity Partners Fund VI, L.P.	2016	60,000,000	34,676,525	25,520,082	60,196,607	NM	NM	
Total Portfolio		989,000,000	413,062,833	487,913,254	900,976,087	1.27x	9.4%	

Note: Performance for funds less than two years (2016 and 2017 vintage funds) are not meaningful ("NM") at this point in their term

Performance by Manager – Health Fund



Health Fund Portfolio - Primary As of September 30, 2017							
Manager / Fund	Vintage Year	Committed Capital	Market Value	Unfunded Commitment	Total Exposure	TVM	IRR
Adams Street Partners		25,000,000	1,717,570	23,250,000	24,967,570	NM	NM
Adams Street Global SMB WPERP Fund L.P.	2016	25,000,000	1,717,570	23,250,000	24,967,570	NM	NM
Apollo Management		6,000,000	4,734,646	2,205,206	6,939,852	1.26x	16.7%
Apollo Investment Fund VIII, L.P.	2013	6,000,000	4,734,646	2,205,206	6,939,852	1.26x	16.7%
Ares Management		27,000,000	8,435,713	17,785,613	26,221,326	1.07x	4.0%
Ares Corporate Opportunities Fund IV, L.P.	2012	5,000,000	4,291,925	1,201,721	5,493,646	1.41x	15.7%
Ares Corporate Opportunities Fund V, L.P.	2016	12,000,000	1,079,038	10,841,318	11,920,356	NM	NM
Ares Special Situations Fund IV, L.P.	2015	10,000,000	3,064,750	5,742,574	8,807,324	0.77x	(16.4%)
Audax Group		3,000,000	1,530,647	326,349	1,856,996	1.28x	9.9%
Audax Mezzanine III, L.P.	2011	3,000,000	1,530,647	326,349	1,856,996	1.28x	9.9%
Blackstone Group		10,000,000	5,768,575	5,027,138	10,795,713	1.16x	12.1%
Blackstone Tactical Opportunities Fund II	2015	10,000,000	5,768,575	5,027,138	10,795,713	1.16x	12.1%
Clayton, Dubilier & Rice		5,000,000	3,367,415	1,336,916	4,704,331	1.33x	19.5%
Clayton, Dubilier & Rice Fund IX, L.P.	2013	5,000,000	3,367,415	1,336,916	4,704,331	1.33x	19.5%
Crestview Partners		10,000,000	4,197,828	6,153,111	10,350,939	1.09x	6.2%
Crestview Partners III, L.P.	2014	10,000,000	4,197,828	6,153,111	10,350,939	1.09x	6.2%
EnCap Investments		22,500,000	7,219,384	13,693,455	20,912,839	1.13x	7.6%
EnCap Energy Capital Fund IX, L.P.	2014	3,000,000	2,189,920	425,096	2,615,016	1.32x	16.5%
EnCap Energy Capital Fund VIII, L.P.	2011	2,500,000	1,084,091	209,484	1,293,575	0.91x	(3.6%)
EnCap Energy Capital Fund X, L.P.	2011	7,000,000	3,828,810	3,227,875	7,056,684	1.14x	17.1%
EnCap Energy Capital Fund XI, L.P.	2017	10,000,000	116,563	9,831,000	9,947,563	NM	NM
Harvest Partners		6,000,000	1,739,838	4,172,326	5,912,164	NM	NM
Harvest Partners VII, L.P.	2016	6,000,000	1,739,838	4,172,326	5,912,164	NM	NM
Industry Ventures		7,500,000	615,275	6,975,000	7,590,275	NM	NM
Industry Ventures Secondary VIII, L.P.	2017	7,500,000	615,275	6,975,000	7,590,275	NM	NM
Landmark Partners		12,000,000	4,617,990	3,519,736	8,137,726	1.27x	10.9%
Landmark Equity Partners XIV, L.P.	2008	5,000,000	1,907,295	203,261	2,110,556	1.32x	10.2%
Landmark Equity Partners XV, L.P.	2013	7,000,000	2,710,695	3,316,475	6,027,170	1.22x	13.2%
Lexington Partners		5,000,000	1,915,869	1,012,260	2,928,129	1.53x	14.6%
Lexington Capital Partners VII, L.P.	2009	5,000,000	1,915,869	1,012,260	2,928,129	1.53x	14.6%
Oaktree Capital Management		2,500,000	1,232,182	275,198	1,507,380	1.15x	3.4%
Oaktree Principal Fund V, L.P.	2009	2,500,000	1,232,182	275,198	1,507,380	1.15x	3.4%
Silver Lake Partners		3,000,000	2,998,915	659,561	3,658,476	1.45x	28.1%
Silver Lake Partners IV, L.P.	2013	3,000,000	2,998,915	659,561	3,658,476	1.45x	28.1%
Vista Equity Partners		27,000,000	21,351,383	7,923,837	29,275,220	1.32x	14.5%
Vista Equity Partners Fund IV, L.P.	2011	5,000,000	4,156,229	644,034	4,800,263	1.90x	19.2%
Vista Equity Partners Fund V, L.P.	2014	10,000,000	10,259,851	2,175,786	12,435,637	1.24x	11.7%
Vista Equity Partners Fund VI, L.P.	2016	12,000,000	6,935,303	5,104,017	12,039,320	NM	NM
Total Portfolio		171,500,000	71,443,230	94,315,705	165,758,935	1.23x	11.4%

Note: Performance for funds less than two years (2016 and 2017 vintage funds) are not meaningful ("NM") at this point in their term

Pacing Model Inputs



- As part of the Strategic Plan, StepStone conducts a cash flow pacing analysis using a proprietary cash flow pacing model
- This model provides a guideline for annual commitment amounts by Private Equity Strategy based on the Plan's objectives, deployment pacing parameters and the model's projected cash flows
- StepStone's proprietary cash flow model is based on cash flow profiles across five Private Equity Strategies (i.e., Buyout, Venture Capital, Mezzanine, Restructuring/Distressed, Secondaries), which have been developed through historic cash flow data across 25,000+ funds contained within StepStone's proprietary *SPI Database*
- StepStone employs five independent variables as key inputs to project capital calls, distributions and net asset values ("NAV"):
 - Private Equity Allocation (by Strategy)
 - Expected Net Return
 - J-Curve Factor
 - Expected Drawdown Rates
 - Partnership Term
- StepStone has inputted the Plan's program details (e.g., overall program size, growth rate, private equity allocation goal, contributions, distributions, etc.) and details around the existing portfolio (e.g., investments, commitments, exposure, NAV, etc.) into the proprietary cash flow pacing model
 - Based on these inputs, the model's assumptions and StepStone's proprietary cash flow profiles, the model will output cash flow projections that will determine guidance for annual commitment ranges

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 invest 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.

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. The entitlement of StepStone and the underlying portfolio fund managers to carried interest over and above their basic management fees 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.

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.