



AGENDA

RETIREMENT BOARD MEETING

REGULAR MEETING

October 26, 2022, 9:00 a.m.

The Board of Retirement will hold its meeting via teleconferencing as permitted by Government Code Section 54953(e). The meeting is accessible telephonically at 669-900-6833, Webinar ID: 878 8021 6868, Passcode: 330294, or via the web at:

<https://us06web.zoom.us/j/87880216868?pwd=blVqc3ZHTXk4UmIxMUZKa3RuRHNsQT09>

Passcode: 330294

Persons who wish to address the Board of Retirement during public comment may call in during the meeting by dialing the phone number and passcode above. Access via Zoom is also available at the weblink above. To indicate you wish to speak during public comment, please select *9 on your phone or “raise your hand” in the Zoom app.

Public comments are limited to any item that is within the subject matter jurisdiction of the Board of Retirement. Comments will be received in real time via telephone or Zoom, subject to a three-minute time limit per speaker.

THE RETIREMENT BOARD MAY DISCUSS AND TAKE ACTION ON THE FOLLOWING:

1. Pledge of Allegiance.
2. Roll Call.
3. Accept comments from the public.
4. Approve minutes from the September 28, 2022 meeting.
5. Review of private credit by StepStone.
6. Miscellaneous
 - a. Staff Report
 - b. Outside Professionals’ Report
 - c. Trustees’ comments

The Retirement Board will provide reasonable accommodations for persons with disabilities planning to attend Board meetings who contact the Retirement Office at least 24 hours before a meeting.



RETIREMENT BOARD MEETING MINUTES

REGULAR MEETING
September 28, 2022
9:00 a.m.

The Board of Retirement meeting was accessible telephonically at (669) 900-6833, Webinar ID 817 3480 6212 Passcode 574719, as permitted by Government Code Section 54953(e).

1. Pledge of Allegiance

The Board and staff joined in the *Pledge of Allegiance*.

2. Roll Call

Present: Candace Andersen, Dennis Chebotarev, Donald Finley, Scott Gordon, Jerry Holcombe, Louie Kroll, David MacDonald, John Phillips, Mike Sloan, Russell Watts and Samson Wong.

Absent: Jay Kwon

Staff: Gail Strohl, Chief Executive Officer; Christina Dunn, Deputy Chief Executive Officer; Karen Levy, General Counsel; Timothy Price, Chief Investment Officer; Tim Hoppe, Retirement Services Manager and Henry Gudino, Accounting Manager.

Outside Professional Support:
Andy Yeung

Representing:
Segal Company

3. Accept comments from the public

Glen Stewart spoke about his on-call pay during his employment and that it should be included in his retirement benefit calculation.

4. Approve of Minutes

It was **M/S/C** to approve the minutes from the August 24, 2022 meeting. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts).

5. Consider and take possible action to accept the GASB 68 report from Segal Consulting

It was **M/S/C** to accept the GASB 68 report from Segal Consulting. (Yes: Andersen, Chebotarev, Finley, Gordon, Holcombe, Kroll, MacDonald, Phillips and Watts).

6. Review of report on growth sub-portfolio

Price and Taylor reviewed the annual growth sub-portfolio report.

Finley was no longer present for subsequent discussion and voting.

7. Presentation from Artisan Partners

Jim Hamel from Artisan Partners gave an overview of the firm and reviewed their portfolio statistics and performance.

Chebotarev was no longer present for subsequent discussion and voting.

8. Retirement application processing update

Hoppe gave an update on the Retirement application process.

Sloan was no longer present for subsequent discussion and voting.

9. Presentation of year-to-date 2022 CCCERA Budget vs. actual expenses report

Gudino presented the year-to date 2022 CCCERA budget vs. actual expenses report.

10. Consider authorizing the attendance of Board:

- a. It was **M/S/C** to authorize the attendance of 1 Board Member at the Blackstone Meeting, October 11, 2022, New York, NY. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Watts and Wong).

11. Miscellaneous

- a. Staff Report- Strohl mentioned CCCERA is reviewing the 2023 budget and any staffing considerations. Strohl also reported CCCERA adopted a longer term telework policy.

Levy announced there will be an update on legislation relating to teleconferencing and the Brown Act at a future meeting.

- b. Outside Professionals - None

- c. Trustee' comments - None

It was **M/S/C** to adjourn the meeting. (Yes: Andersen, Gordon, Holcombe, Kroll, MacDonald, Phillips, Watts and Wong)

Scott Gordon, Chairman

Jerry R. Holcombe, Secretary

Meeting Date
10/26/2022
Agenda Item
#5



CCCERA Board Presentation
Private Debt Update

October 2022

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All data is as of March 2022 unless otherwise noted.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.

Agenda



- I. StepStone Group Update
- II. Market Observations
- III. Review of Private Debt Program
- IV. Private Debt Performance

I. STEPSTONE GROUP UPDATE

StepStone Group Overview



StepStone is a global private markets investment firm focused on providing customized investment solutions and advisory data services to clients

\$588B
combined
AUM/AUA₁

\$137B
assets under
management₁

\$75B+
annual private
market
allocations₂

860+
professionals



Focus on customization

Expertise in building customized portfolios designed to meet clients' specific objectives



Global-and-local approach

Global operating platform with strong local teams in 23 cities in 14 countries across 5 continents



Proprietary data and technology

Valuable information advantage generates enhanced private markets insight and improves operational efficiency



Investment Strategies

Scaled presence across the private equity, infrastructure, private debt and real estate asset classes drives ability to execute tailored and complex investment solutions



Large and experienced team

Approximately 310+ investment professionals and 550+ other employees dedicated to sourcing, executing, analyzing and monitoring private markets opportunities

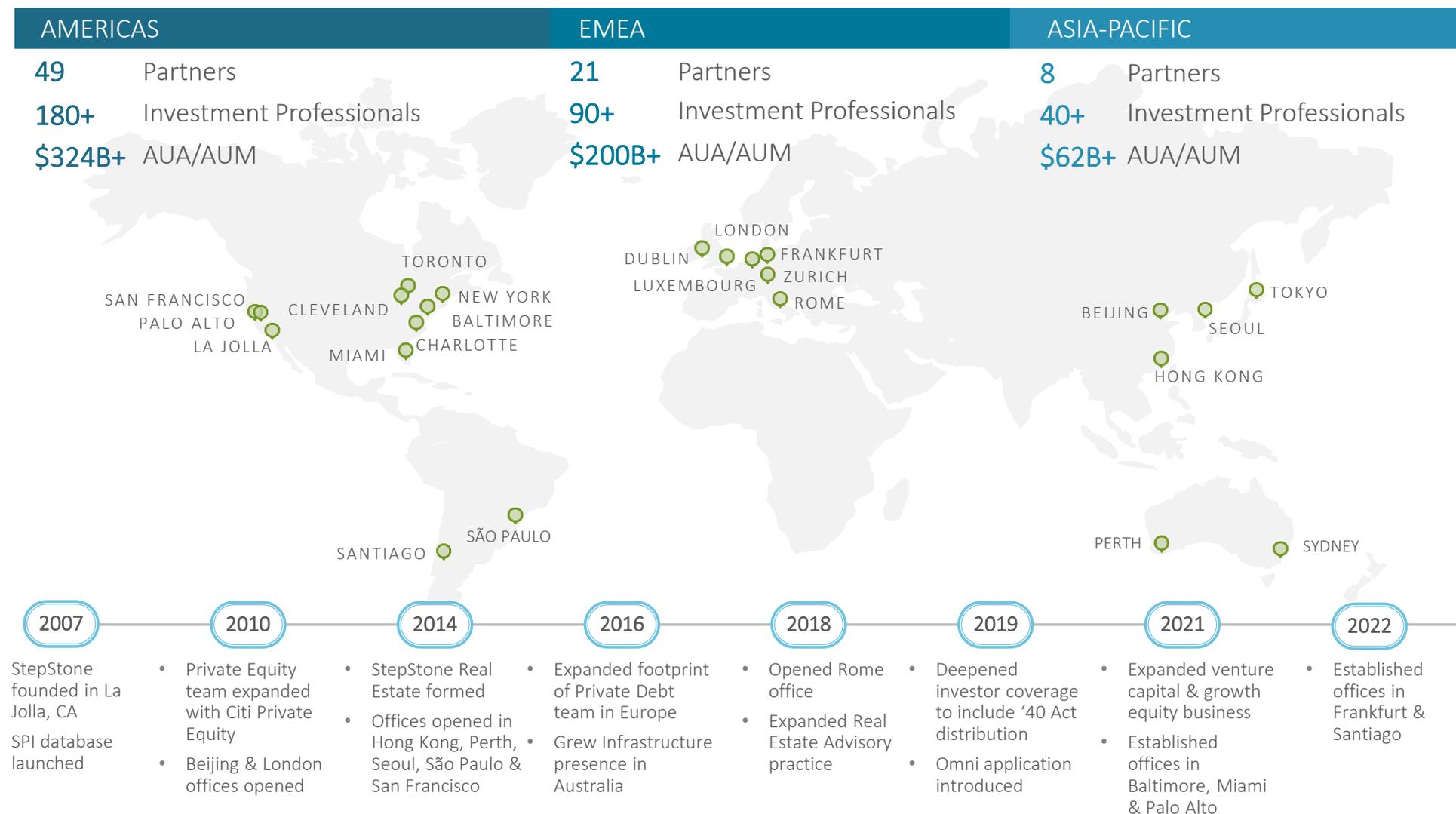
All dollars are USD. Headcount as of July 31, 2022. Data includes Greenspring Associates metrics.

1. \$588B includes \$137B in assets under management and \$452 billion in assets under advisement. Reflects final data for the prior period (March 31, 2022), adjusted for net new client account activity through June 30, 2022. Does not include post-period investment valuation or cash activity. NAV data for underlying investments as of March 31, 2022, as reported by underlying managers up to 100 days following March 31, 2022. When NAV data is not available by 100 days following March 31, 2022, such NAVs are adjusted for cash activity following the last available reported NAV.

2. For the twelve months ended December 31, 2021. Excludes legacy funds, feeder funds and research-only, non-advisory services.

Global Presence with Deep Relationships

StepStone has strategically grown across 23 offices in 14 countries to build enduring relationships with our clients and GPs



All headcount is presented as of July 31, 2022. Data includes Greenspring Associates metrics. AUM/AUA as of June 30, 2022. Reflects final data for the prior period (March 31, 2022), adjusted for net new client account activity through June 30, 2022. Does not include post-period investment valuation or cash activity. Asia-Pacific headcount includes professionals with investment-related responsibilities.

Corporate Private Debt Team

INVESTMENT TEAM PARTNERS



Marcel Schindler
Partner, Zurich



Urs von Buren
Partner, Zurich



Meinrad Wyser
Partner, Zurich



John Bohill
Partner, Dublin & London



Ariel Goldblatt
Partner, NYC



Stephen Penney
Partner, Dublin



Marc-André Mittermayer
Partner, Zurich



Aiyu Nicholson*
Partner, NYC



Jan Kuhlmann
Partner, Zurich

ADVISORS / PRIVATE DEBT PARTNERS



Hans-Jörg Baumann
Partner, Zurich



Christian Hinze
Partner, Zurich



Christian Frei
Partner, Zurich



Matthias Erb
Partner, Zurich



Thomas Häfliger
Partner, Zurich



Tobias Meier
Partner, Zurich



Stephan Tscheulin
Partner, Zurich

EXPERIENCED TEAM

19+

avg. snr. experience¹

12+

avg. snr. tenure¹

13+

avg. team experience

34 DEDICATED INVESTMENT / RESEARCH PROFESSIONALS

Srdjan Vlaski MD, Zurich	Alesia Dawidowicz MD, Zurich	Orla Walsh MD, London	Fabian Körzendörfer MD, Zurich
Mark Tsang MD, London	Filippo Petrucci MD, Zurich	Eric Wiczorek MD, New York	Sophie Aslan Director, London
Bryan O'Dowd Director, Dublin	Jovan Samardzic Director, Zurich	David Han Director, New York	Stefan Derungs Director, Zurich
Samar Abbas* Principal, NYC	Barry Trueick Vice President, Dublin	Edward Panarese* Vice President, NYC	Jared Root Vice President, NYC
Kenneth McLaughlin Vice President, Dublin	Rachel Gallagher Vice President, Dublin	Sean Doyle Vice President, Dublin	Gary Gipkhin Vice President, NYC
Brian Delpit* Vice President, La Jolla	Alice Song* Sr. Associate, NYC	Tamara Milosevic Sr. Associate, Zurich	Kristjan De Lucca Sr. Associate, Zurich
Sebastian Dobson Associate, London	4 Sr. Analysts	5 Analysts	

8 DEDICATED PRODUCT SPECIALISTS

Marc Lickes Director, Zurich	Selin Pinarci Director, Zurich
Veith Riebow Director, Frankfurt	Paula Hartnett Vice President, Dublin
Michael Wator Vice President, Zurich	Sebastian Schlaefer Senior Associate, Zurich
Martin Müller Senior Associate, Zurich	Björn Frei Associate, Zurich

SUPPORTED BY

40+

Investment professionals
/ product specialists

20+

Real estate / Infra debt
professionals

75+

resources dedicated to
private debt²

LEGAL &
COMPLIANCE

INFORMATION
TECHNOLOGY

INVESTOR
RELATIONS

DATA SCIENCE &
ENGINEERING ("DSE")

FINANCE &
ACCOUNTING

OPERATIONAL
DUE DILIGENCE

PORTFOLIO ANALYTICS &
REPORTING ("SPAR")

RESPONSIBLE
INVESTING & D&I

1. DIR and above of the Corporate PD Team; 2. including Finance&Accounting, Controlling, Risk Management, IT, Legal, Admin etc. *PE Distressed. Information as of July 2022

II. MARKET OBSERVATIONS

Past & Target Returns across Asset Classes

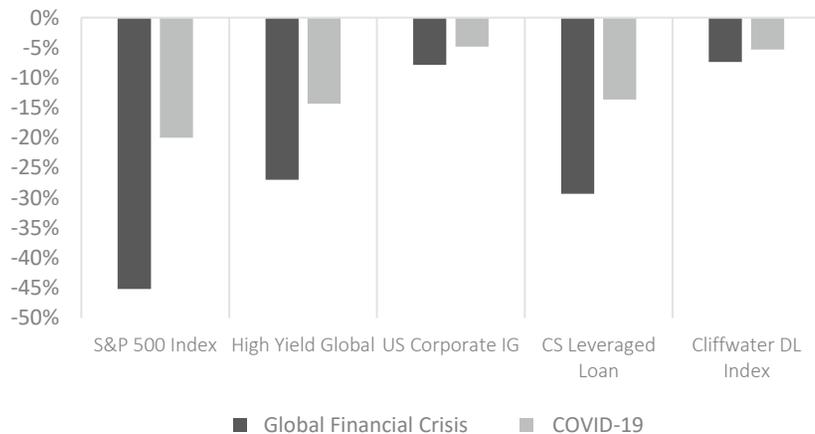
BACKWARD LOOKING

EQUITY-LIKE RETURNS WITH SMALLER DRAWDOWNS

	S&P 500 Index	High Yield Global	US Corporate IG	CS Leveraged Loan	Cliffwater DL Index
ANNUALIZED RETURN	10%	6%	5%	4%	9%
ANNUALIZED VOLATILITY	16%	11%	6%	10%	4%
MAX. DRAWDOWN	-46%	-28%	-10%	-30%	-8%

Time period 01.01.2005 – 30.06.2022

DRAWDOWNS



FORWARD LOOKING

RETURN TARGETS (5Y) ACROSS ASSET CLASSES



● 5-year expected returns as of Jun-2022 □ Range from interquartile lower/upper to mean uncertainty lower/upper return
 ■ Range from mean uncertainty lower to mean uncertainty upper return

This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise - or even estimate - of future performance. Source: BlackRock Investment Institute, August 2022. Data as of 30 June 2022.

PRIVATE DEBT AS ATTRACTIVE ALTERNATIVE

✓ DEFENSIVE - FIXED-INCOME REPLACEMENT

✓ OFFENSIVE - EQUITY REPLACEMENT

CURRENT INVESTMENT ENVIRONMENT

Assessment Direct Lending Market

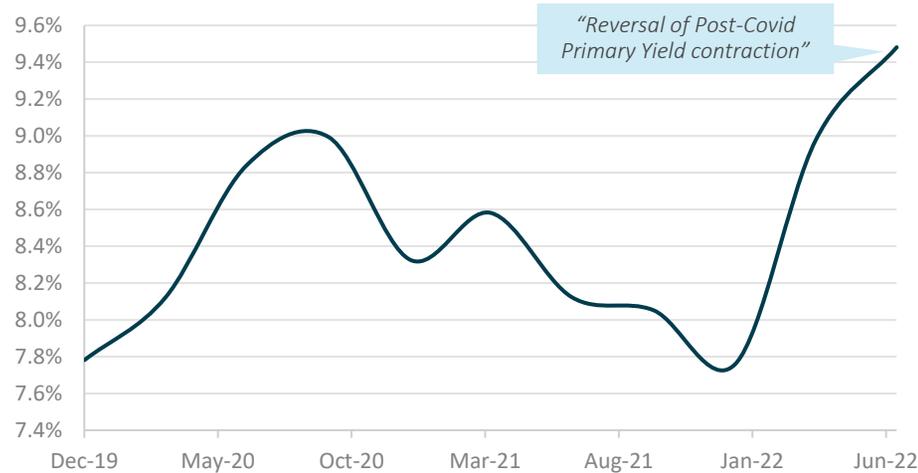
Update Q3 2022

	KEY MARKET OBSERVATIONS Q3 2022	IMPLICATIONS FOR DIRECT LENDING INVESTMENTS	EXPECTED TREND Next 12 months <i>unfavorable</i> →
PRICING / YIELDS 	<ul style="list-style-type: none"> Further increases of \$ LIBOR / SOFR (spot & forward) EUR started to move into positive territory Primary spreads widened 50-100bp, magnitude is dependent on market segment and degree of competition. According to GPs little to no room for further spread widening on the back of increasing base rates Higher coupons may have negative implications on borrower solvency and may result in higher loss rates 	<p><u>Existing Investments:</u></p> <p>a) higher base rates provide tailwind to income generation over the next few quarters;</p> <p>b) possibly lower marks due to increasing loss expectations</p> <p><u>New Investments:</u> Attractive risk adjusted Gross Asset Yields</p>	
VOLUME 	<ul style="list-style-type: none"> <u>M&A:</u> Lower M&A activity which is likely to impact Private Debt volume; although still substantial PE dry powder available <u>New Transaction / New Money:</u> Could moderate and expected to slow down in line with lower M&A activity <u>Refinancing Transaction:</u> Expected to slow down (postponements) due to less favorable Lending Terms and Pricing for borrowers <u>Mitigating Factor:</u> Further withdrawal of banks in traditional broadly syndicated loans and high yield bonds may open up opportunities for Direct Lenders with strong dry powder situation to tap larger companies 	<p>Generally, a moderation of capital deployment to be expected after a reasonably active H1 2022</p> <p>Portfolio management: Flexibility, diversification of sourcing channels and strategy buckets required</p>	<p>New transaction / new money</p> <p>Refinancing</p>
LENDING TERMS 	<ul style="list-style-type: none"> A more challenging market environment usually puts lenders into a more favorable negotiation position Recent and expected developments is calming a market that was at risk of overheating 	<p>Generally, a trend towards more lender friendly terms can be observed</p> <p>However, to different degree in various market segments</p>	
FUNDAMENTALS 	<ul style="list-style-type: none"> In line with lower global growth expectations, corporate fundamentals are expected to moderate; however, large dispersion by sector/industry and on idiosyncratic levels Macro-economic situation expected to be materially weaker for EU than US 	<p>Maintain selective investment style and avoid portfolio concentrations; US favored over EU</p>	

Yields & Risk Parameters Pre- and Post-Covid

MIDDLE MARKET PRIMARY YIELDS – SPIKE CONTAINED BY SEARCH FOR YIELD¹

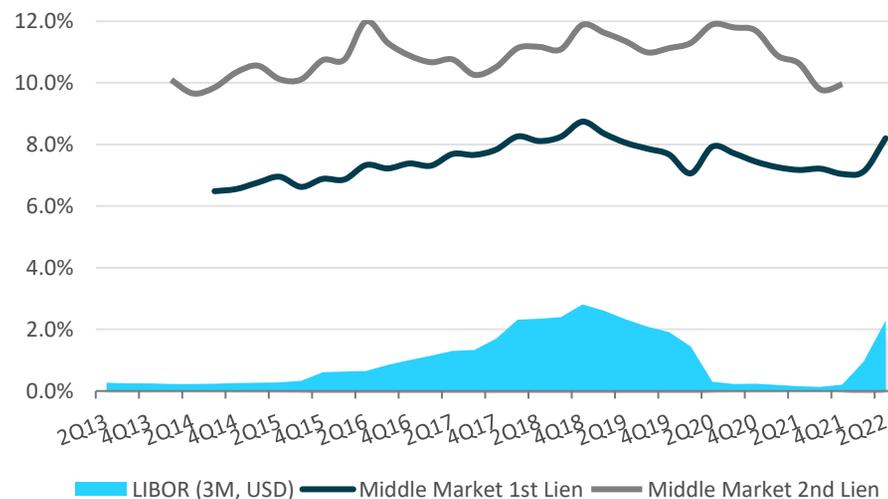
StepStone Internal Database



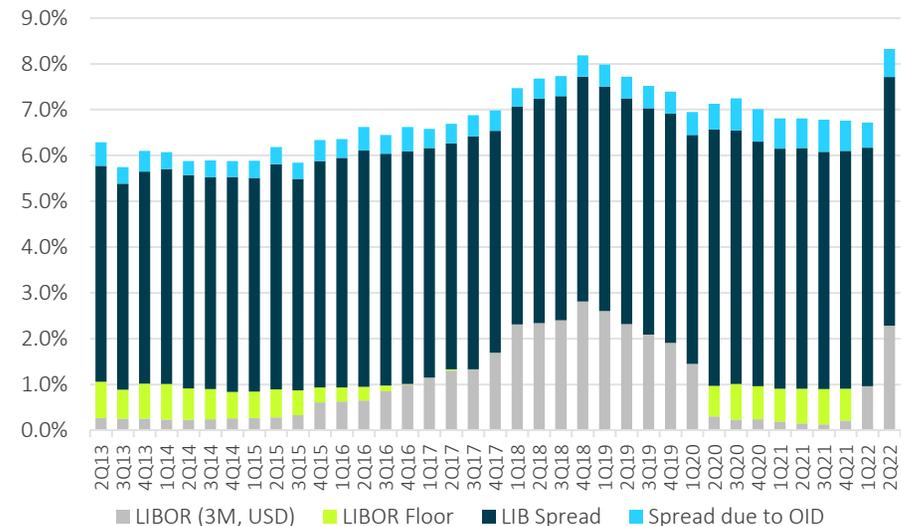
- Post-COVID contraction of Primary Yields reversed in 2022
- Drivers of higher Primary Yields: Largely LIBOR/SOFR plus some spread widening
- Continuation of spread widening uncertain though when considered historical evidence
- All in all, higher returns to be expected for current vintage

MIDDLE MARKET PRIMARY YIELDS – 2nd LIEN PREMIUM CONTRACTED²

Refinitiv Sponsored Middle Market



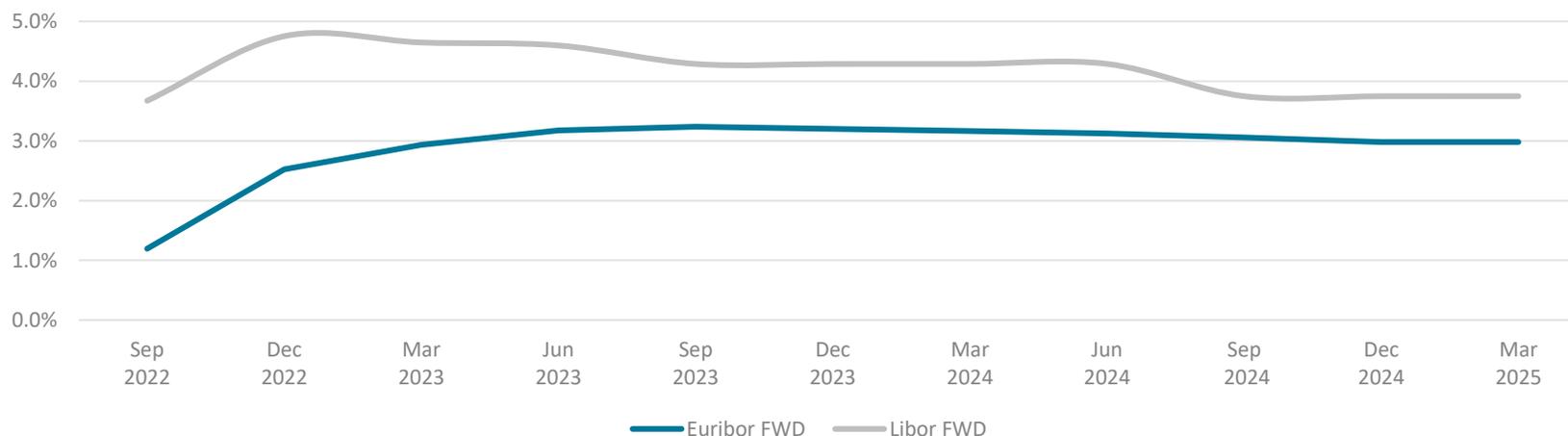
MIDDLE MARKET FIRST LIEN PRIMARY YIELD COMPOSITION²



1. StepStone Internal Database, as of Q2 2022; presented stats are based on newly originated first lien secured deals in which StepStone is invested in.
 2. Refinitiv LPC Q1 2022. Refinitiv Middle market definition: issuers with revenues of \$500M and below and a total loan package of \$500M and below; Yields to 3-year life

Pricing / Yields - Expectations Going Forward

LIBOR FORWARD RATES



OBSERVATIONS

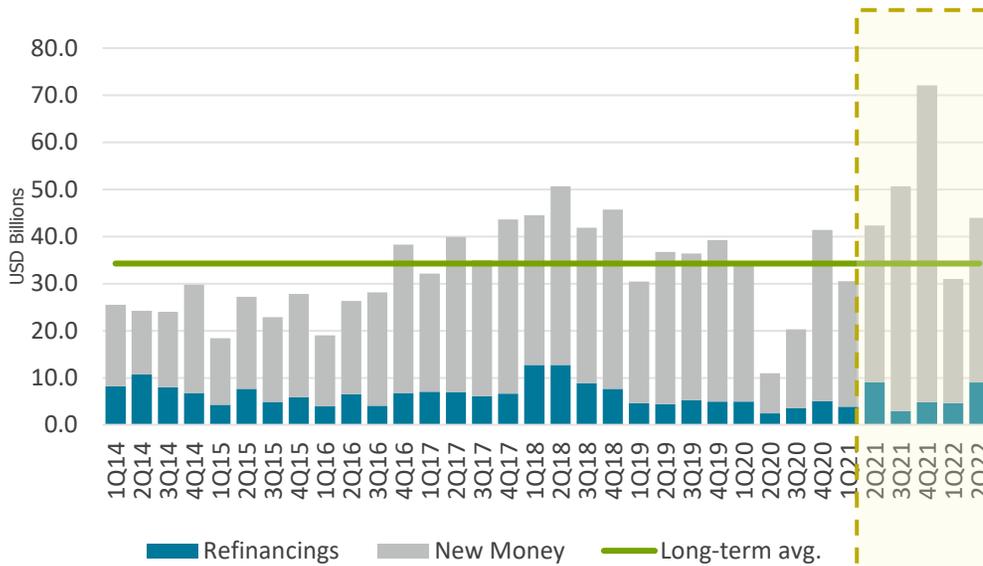
- US \$ and EUR LIBOR forward curves suggest some more upside for 2022 / 2023
- Primary Spreads:
 - Primary Spreads started to widen since the beginning of the year despite increasing LIBOR
 - GP feedback / predictions suggest some spread widening; differences by market segment though

GP Predictions (June 2022)

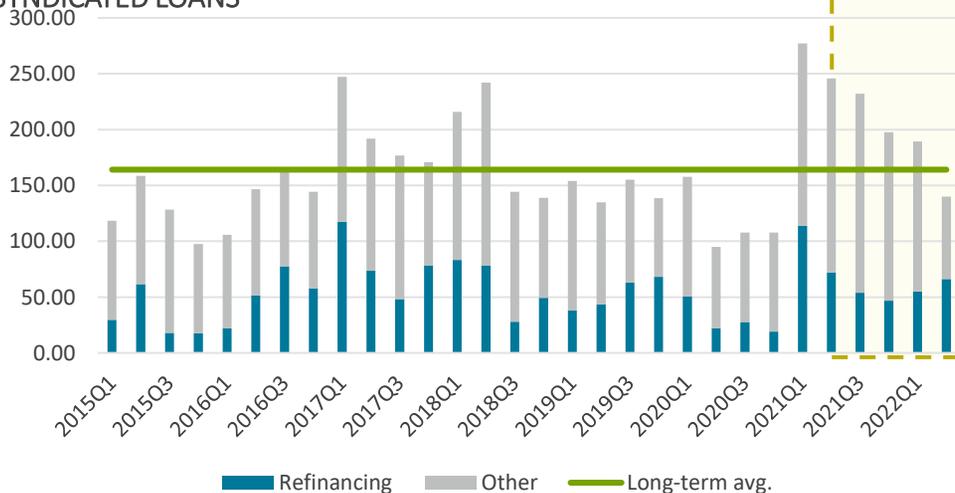
SUB-CATEGORY	LOWER MIDDLE-MARKET	MID MIDDLE-MARKET	UPPER MIDDLE-MARKET
Spread	Increase by 0-50bps	Increase by 25-75bps	Increase by 50-100bps
OID	Largely unchanged	Increases expected	Increases expected

M&A and Debt Origination Volumes

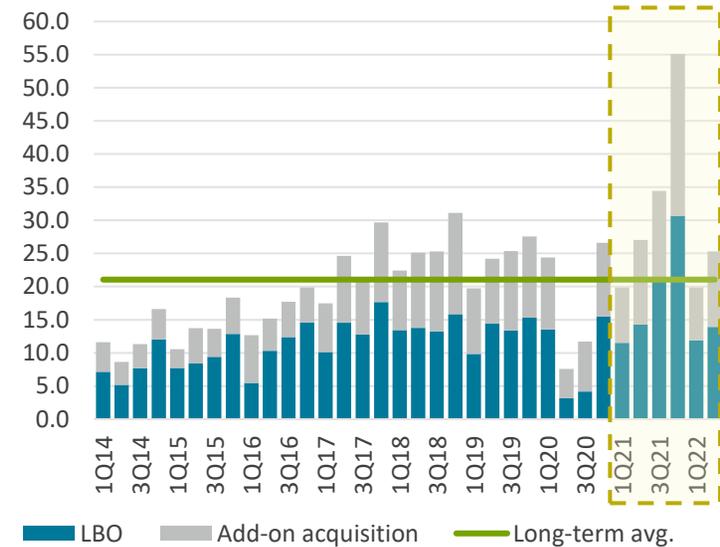
PRIVATE DEBT MARKET: SOLID ACTIVITY IN MIDDLE MARKET



PUBLIC DEBT MARKET: ORIGINATION ACTIVITY MODERATING FOR SYNDICATED LOANS



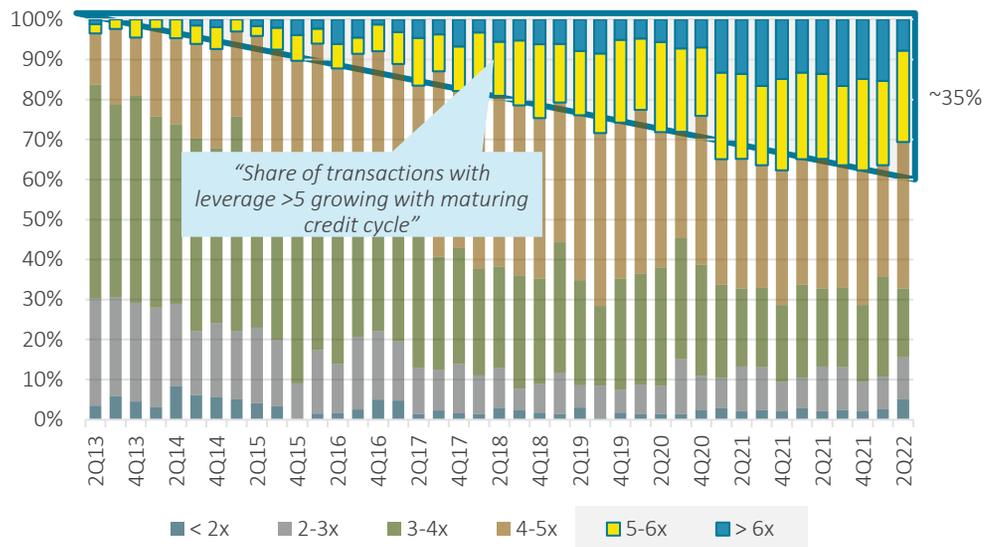
MM SPONSORED M&A VOLUME (US\$BN) & M&A % OF TOTAL VOLUME: QUARTERLY



- M&A
 - 2022 expected to fall short of a record breaking 2021
 - Strategic buyers showed most market activity in 2022
 - Possible slowdown due to economic uncertainty mitigated by abundance of PE dry powder
- Debt
 - Public: moderation to long-term average, hung syndications, partially closed down / risk off
 - Private: open for business, managed to expand market share

Senior Leverage & Covenant Lite

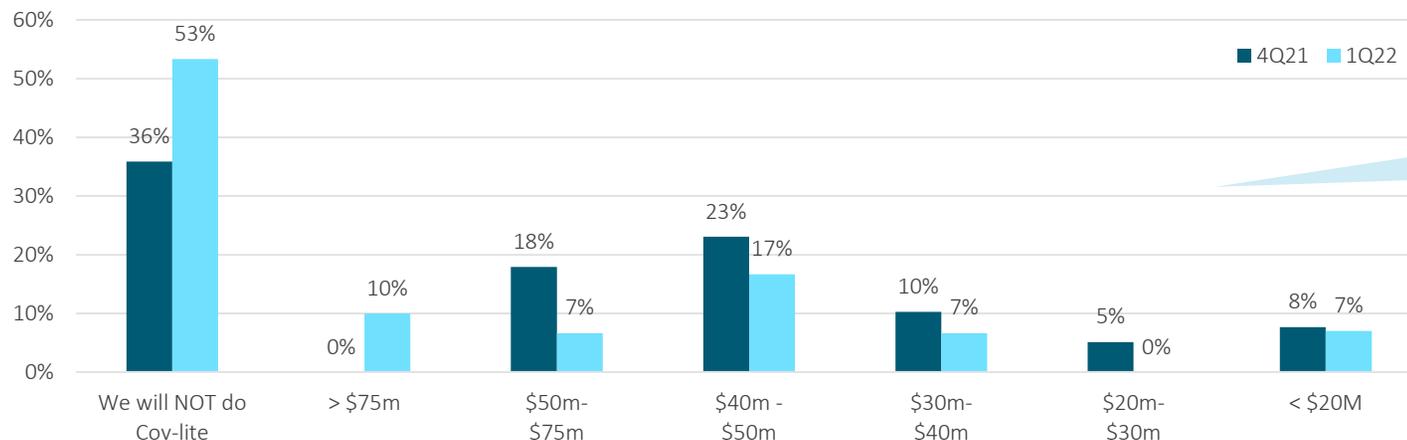
MIDDLE MARKET FIRST LIEN LEVERAGE LEVEL DISTRIBUTION (% OF DEALS)



- The share of deals with first lien leverage above 5 times remained at approx. 35% in 2Q22
- This is a normal trend in a maturing credit cycle
- Some reversion in Q2 2022
- Lending Terms: Increased restraint by GPs for Covenant Lite transactions illustrates more defensive approach

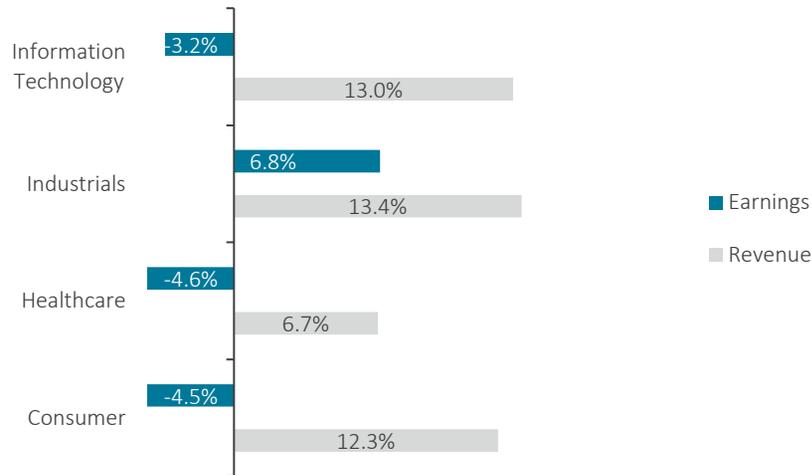
“WHAT IS YOUR MINIMUM EBITDA THRESHOLD FOR DOING COVENANT LITE TRANSACTIONS?”

(REFINITIV LPC LENDER SURVEY: % OF RESPONDENTS)



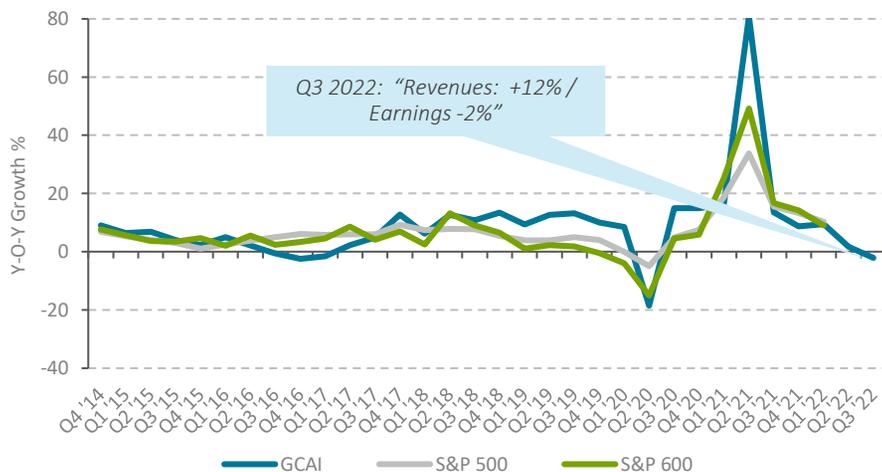
Fundamentals - Revenue & EBITDA Growth

GOLUB ALTMAN INDEX HIGHLIGHTS - KEY SECTORS Q3 2022 (YEAR OVER YEAR CHANGE OF IN %)

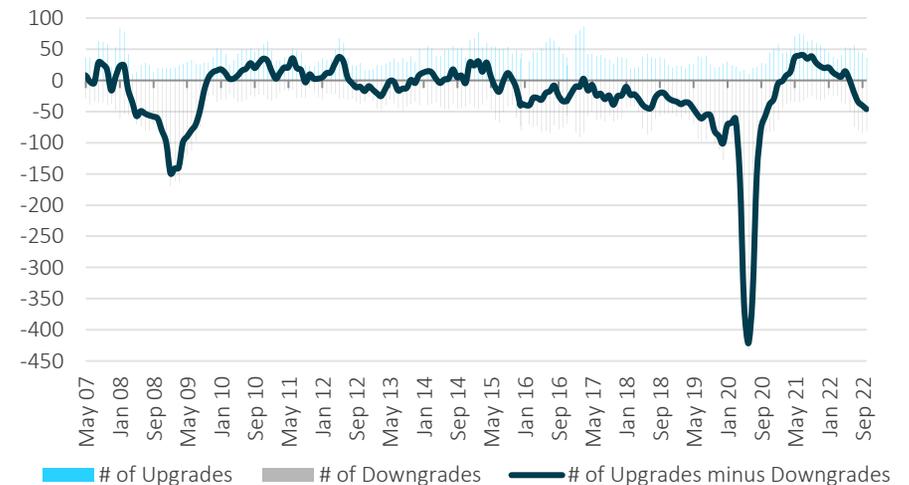


- Middle Market: The Golub Altman Index recorded a 12% revenue growth and -2% earnings growth respectively for the first 2 months of Q3
- Sectors dispersions: Only Industrials showed relative strong profit growth; Consumer sector struggled to pass rising input costs on to consumers

EARNINGS GROWTH



PROXY MARKET 'SYNDICATED LOANS': UP-AND DOWNGRADES



Source: Golub Capital Middle Market Report, S&P/LSTA LLI as of Q3 2022. **For illustrative purposes only.**

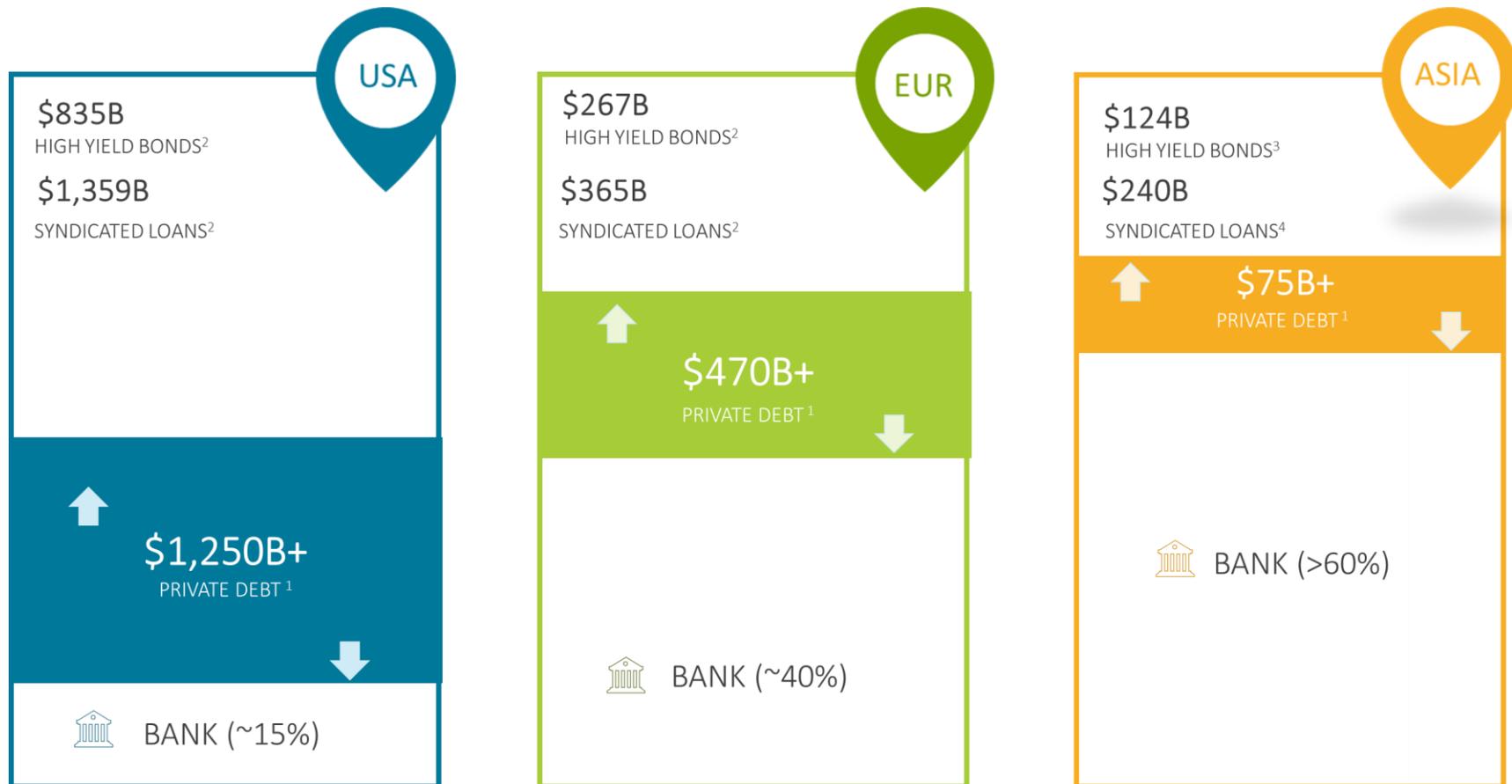
The Golub Capital Altman Index measures the median revenue and earnings growth of more than 150 private U.S. companies in the loan portfolio of Golub Capital, a leading middle market lender.

Current Market Environment in Private Debt



INDUSTRY DEVELOPMENTS & TRENDS

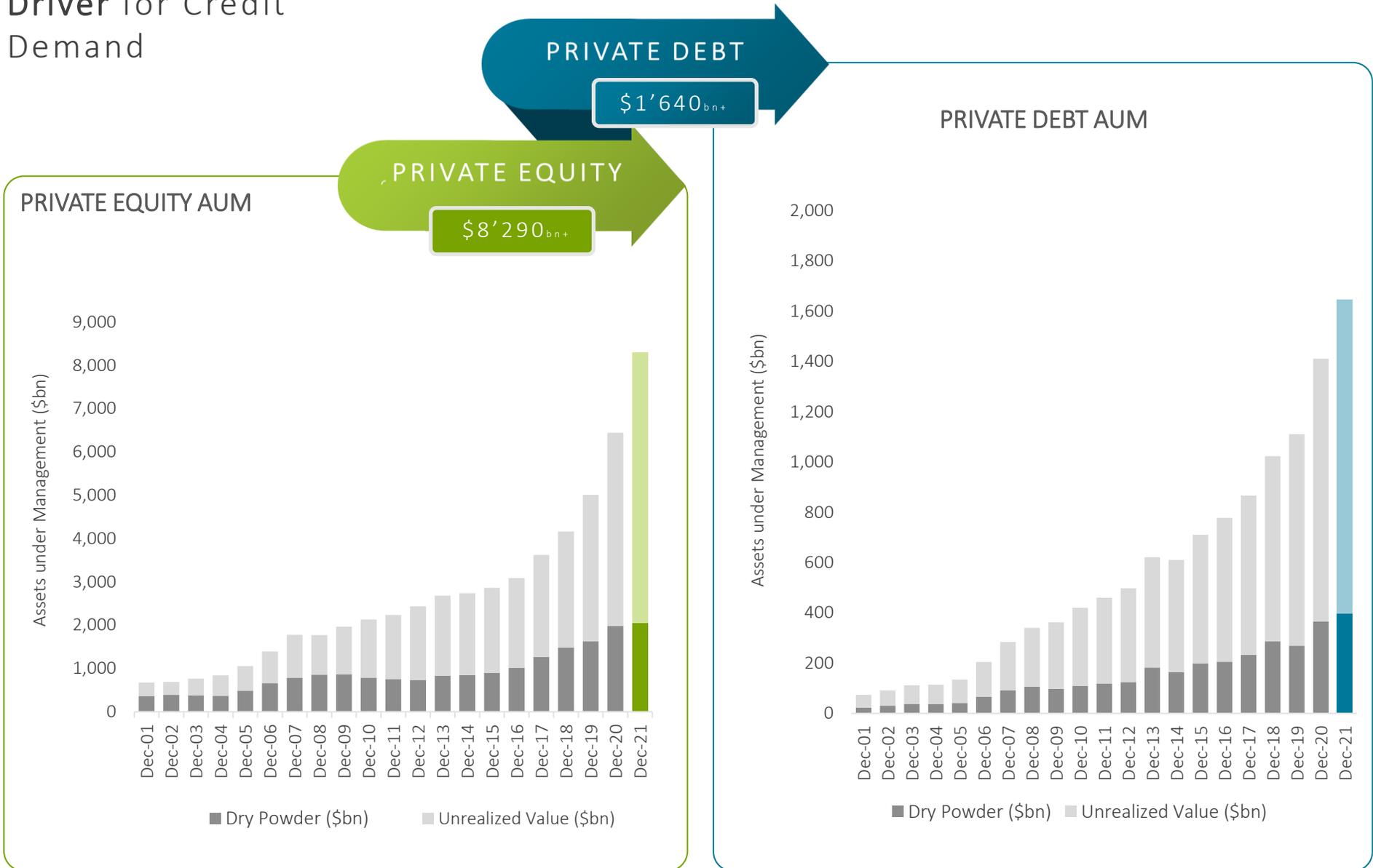
Private Credit – Supply and Demand (I/II)



1. Total Market Size for Private Debt covers mainly Direct Lending and is based on SSG's own observations and calculations as of Q3 2022. 2. Source: Credit Suisse; Data for Europe only includes Western Europe. 3. Source: Bloomberg Asia High Yield Bond Index. 4. Source: SSG estimates. 5. Based on SSG's observations and Preqin market size for Asia Direct Lending, data as of September 2022

Private Credit – Supply and Demand (II/II)

Driver for Credit Demand



THREATS



COVID PANDEMIC

- Fiscal Stimuli
- Easy monetary conditions
- Supply chain problems
- Labor market impact



GEOPOLITICS

- Current war and global tensions
- Sanctions and energy crisis
- Fiscal programs to dampen blow from energy prices
- Deglobalization



GROWTH

- Slowing from high level
- Risk of recession



INFLATION

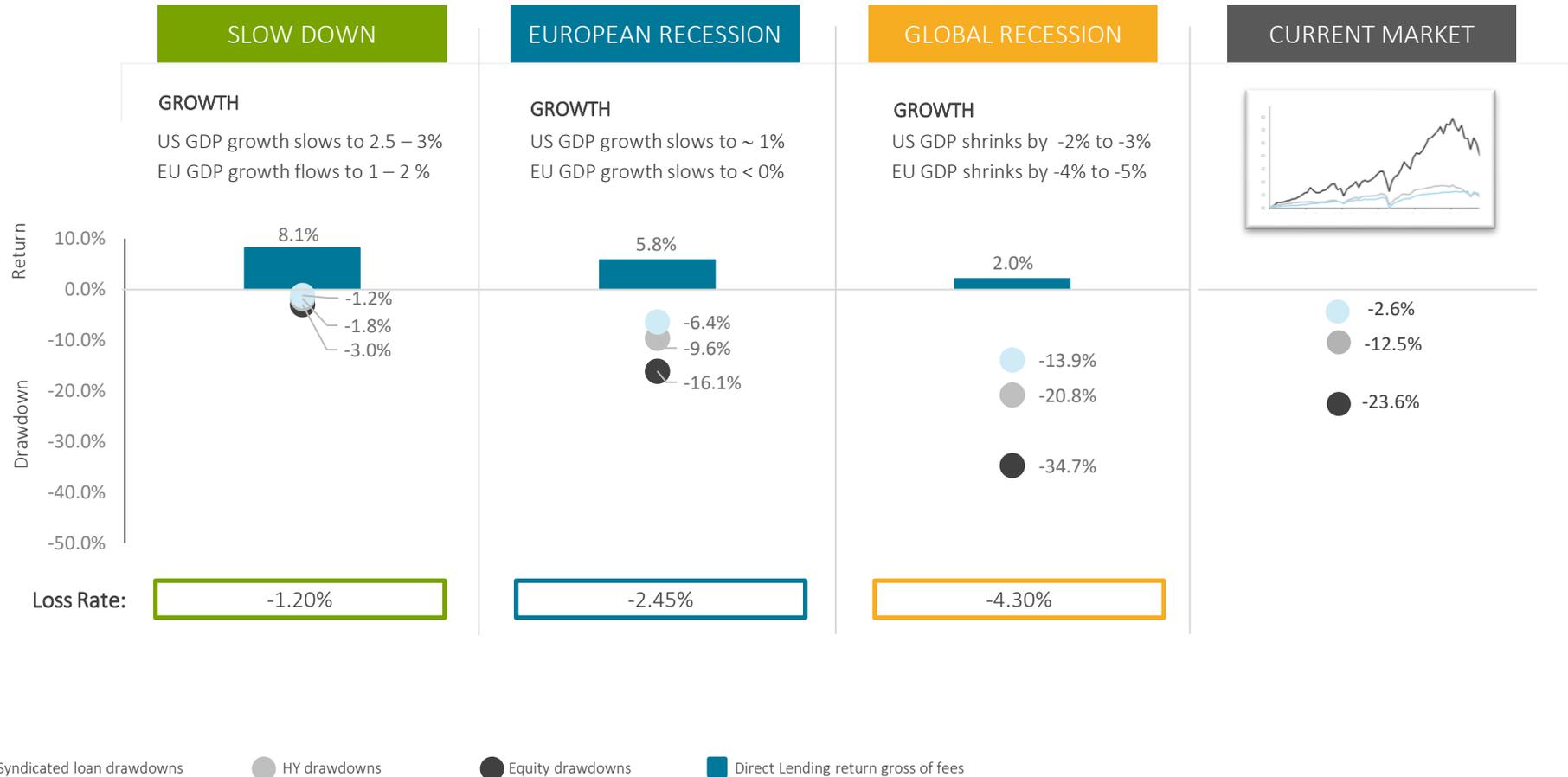
- Fueled from demand side
- Fueled from supply side



CENTRAL BANKS & INTEREST RATES

- Will have to balance supporting growth vs fighting inflation

Macro Scenarios



Please note the exposure of the illustrative LP portfolio is US 85%; EU 13%; Cash 2%

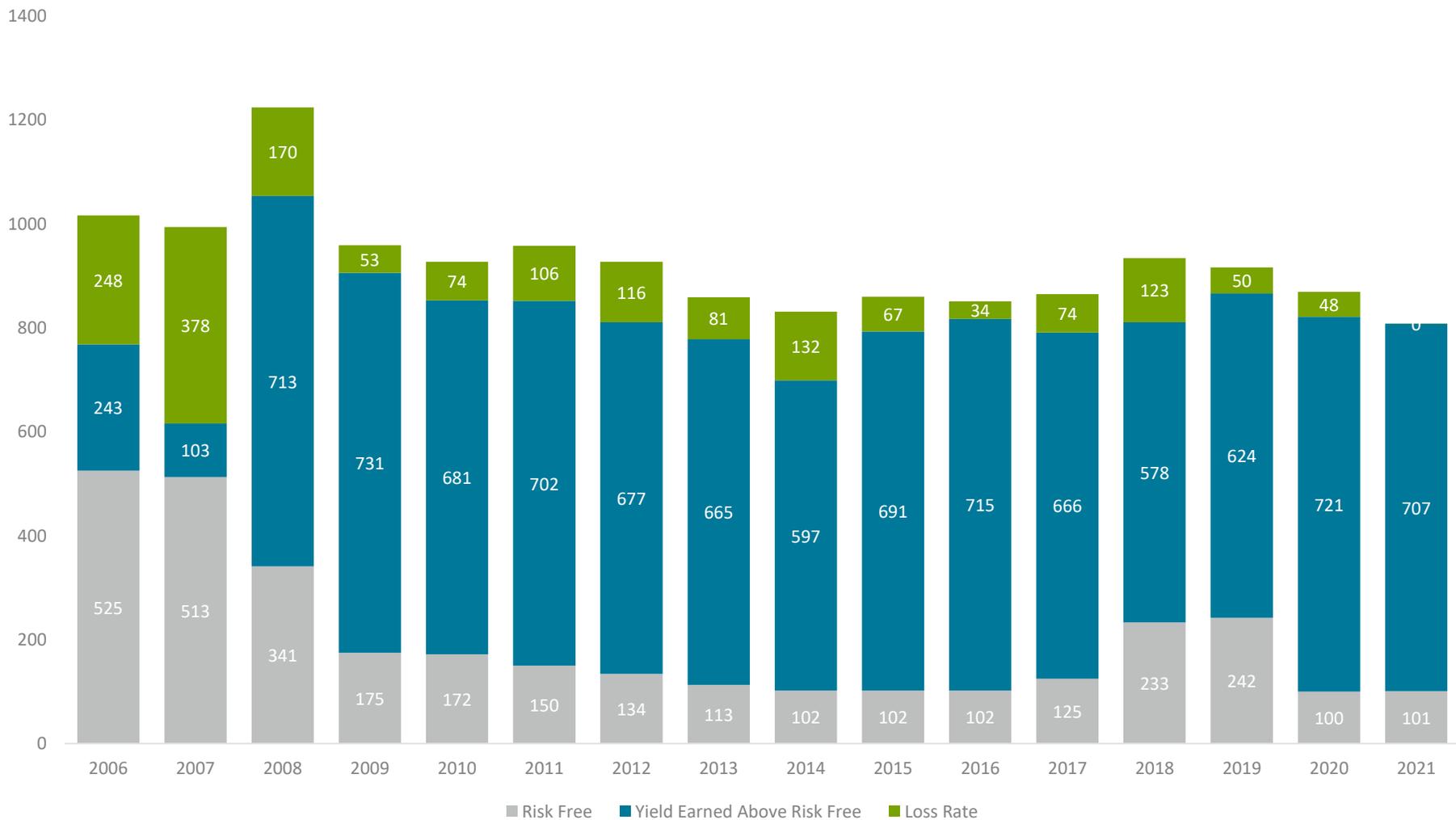
Source: StepStone Analysis, as of Sep 30, 2022. SSL price decline is estimated using historic relationship between credit losses and price declines, HY and equity price declines are derived from market betas relative to SSL. For actual market data Credit Suisse indices and SPX is used.

For illustrative purposes only. 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.

Persistent Returns Through the Cycle US First Lien Deals

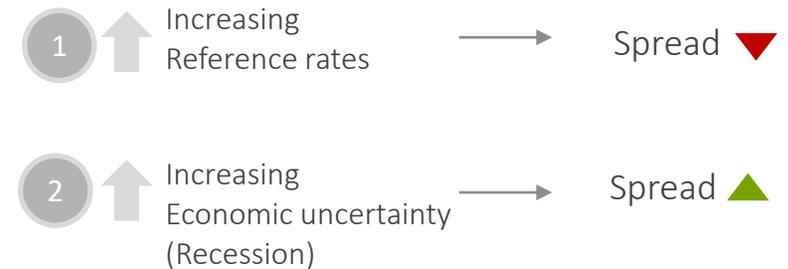
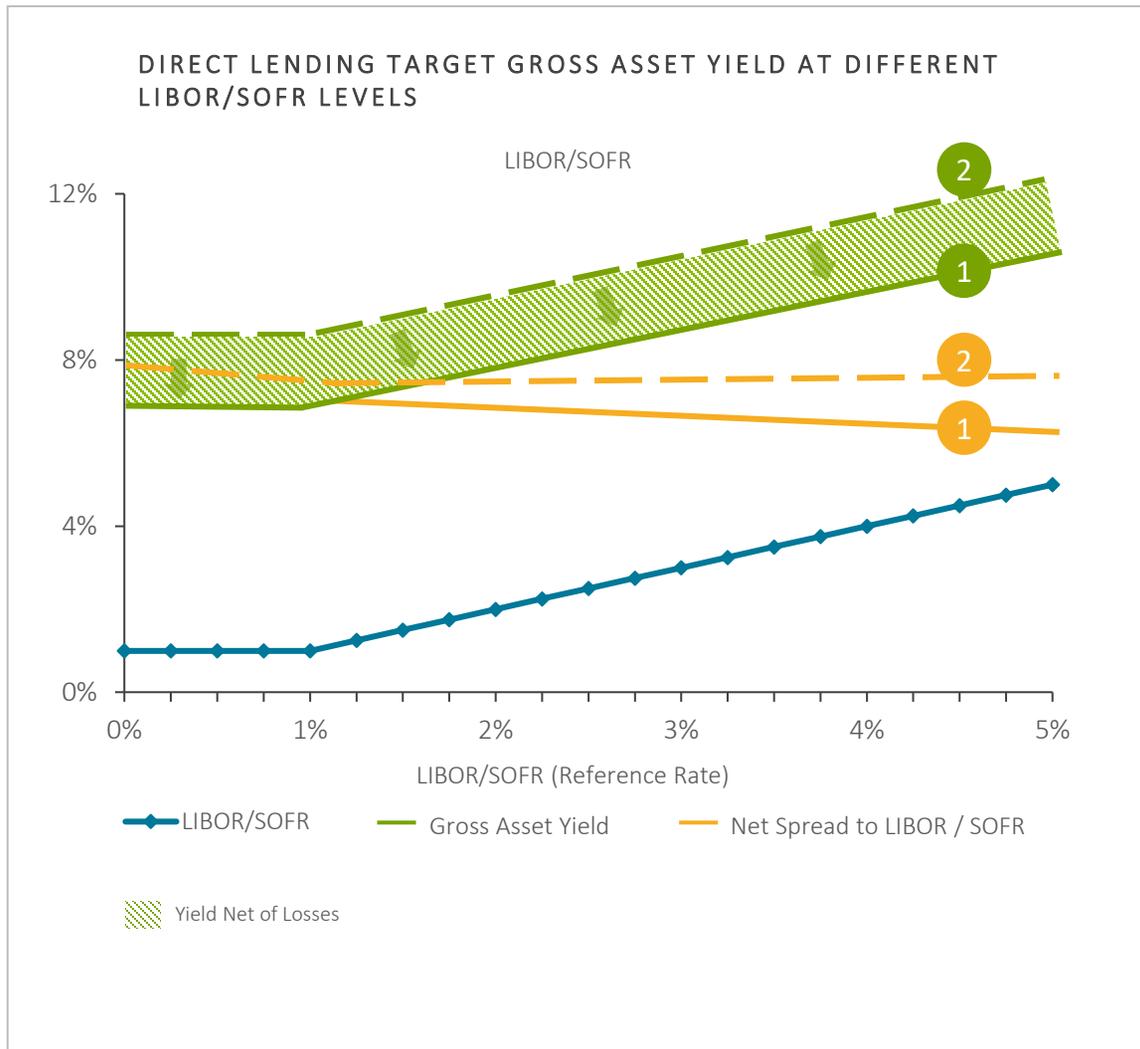
Risk-adjusted direct lending yields remained attractive through the cycle

Figures in bps. Please note: 2021 figures are estimates based on latest available data



Source: StepStone Global, Internal Database as of September 2022, US First Lien Deals (more than 13'000 transactions and \$400bn of invested capital). Risk free presents the weighted average of max(LIBOR, LIBOR Floor) of the deals originated within the respective vintages, where the 3-month LIBOR is used as reference rate. Yield includes the cash coupon as well as OID and Arrangement Fees and assumes 3-year expected life. Loss Rates present the annualized vintage loss rates and takes into account any principal loss as well as any interest foregone. One large loss in 2018 was excluded from the analysis since it distorts the analysis

Floating Rate Loans Can Act as a «Natural» Hedge to Rising Interest Rates



Expected losses
(EU recession scenario: 2.45%)

For illustrative purposes only.

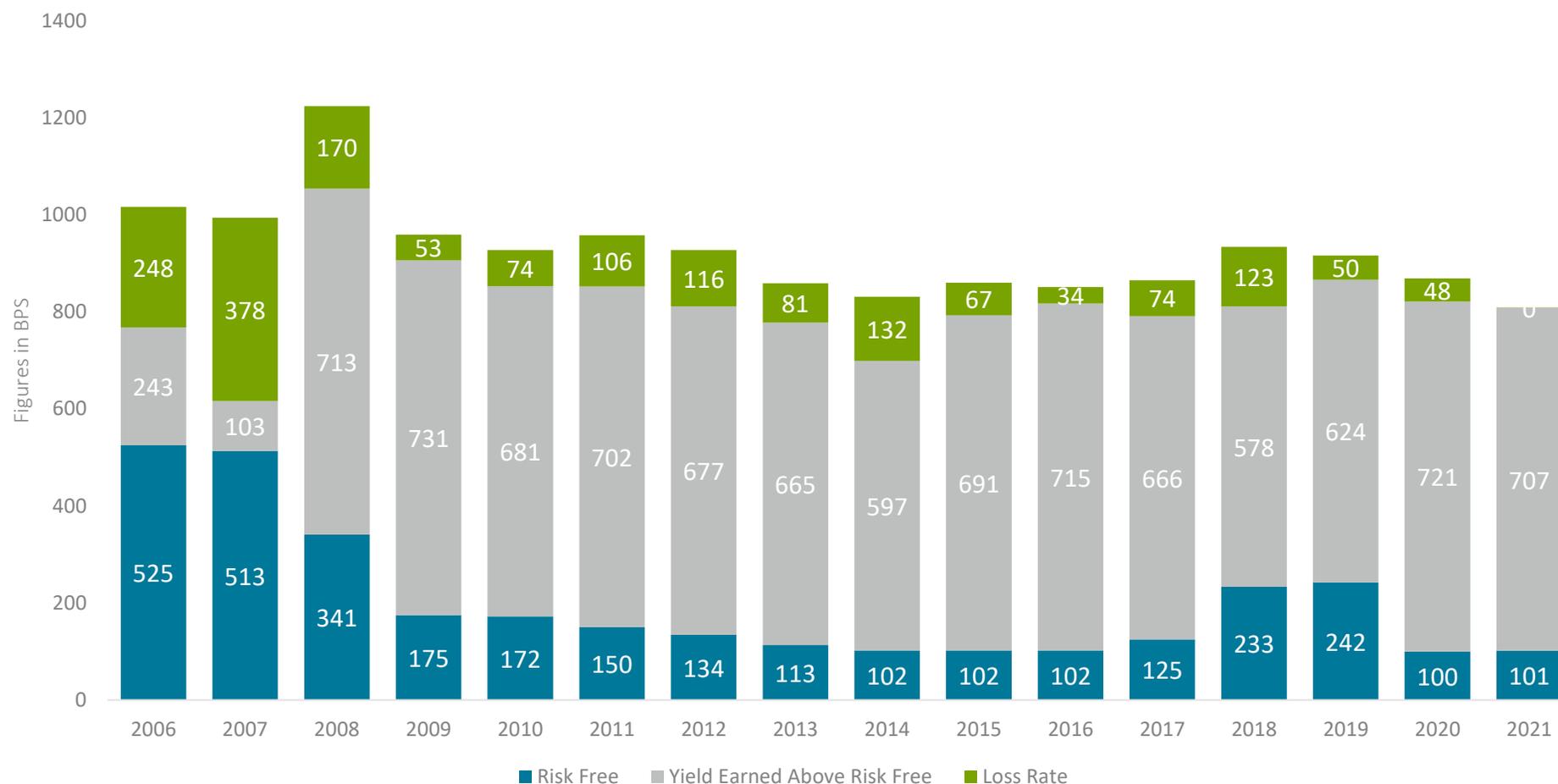
Source: StepStone, Bloomberg as of September 2022

Target Gross Asset Yield at Different LIBOR/SOFR Level analysis based on proprietary loan database and considers only US First Lien Senior Secured loans from 2010 through 2021. Gross Asset Yield includes Original Issuance Discount (OID) amortized over 3 years and a LIBOR/SOFR floor of 100bps. Median Gross Asset Yield is assumed to be 7.9% at the end of 2021 which implies a net spread of 6.9%. "Today" Gross Asset Yield assumes SOFR3M at 3.5%. Current peak implied US OIS rate is 4.482% for 22/3/2023 and is considered as a proxy/indication for future SOFR rates, i.e. 4.5%. **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. Past performance is not necessarily indicative of future results and there can be no assurance that the investments will achieve comparable results or avoid substantial losses.**

OPPORTUNITIES

Opportunity 1 – Direct Lending

RISK-ADJUSTED DIRECT LENDING YIELDS REMAINED ATTRACTIVE THROUGH THE CYCLE

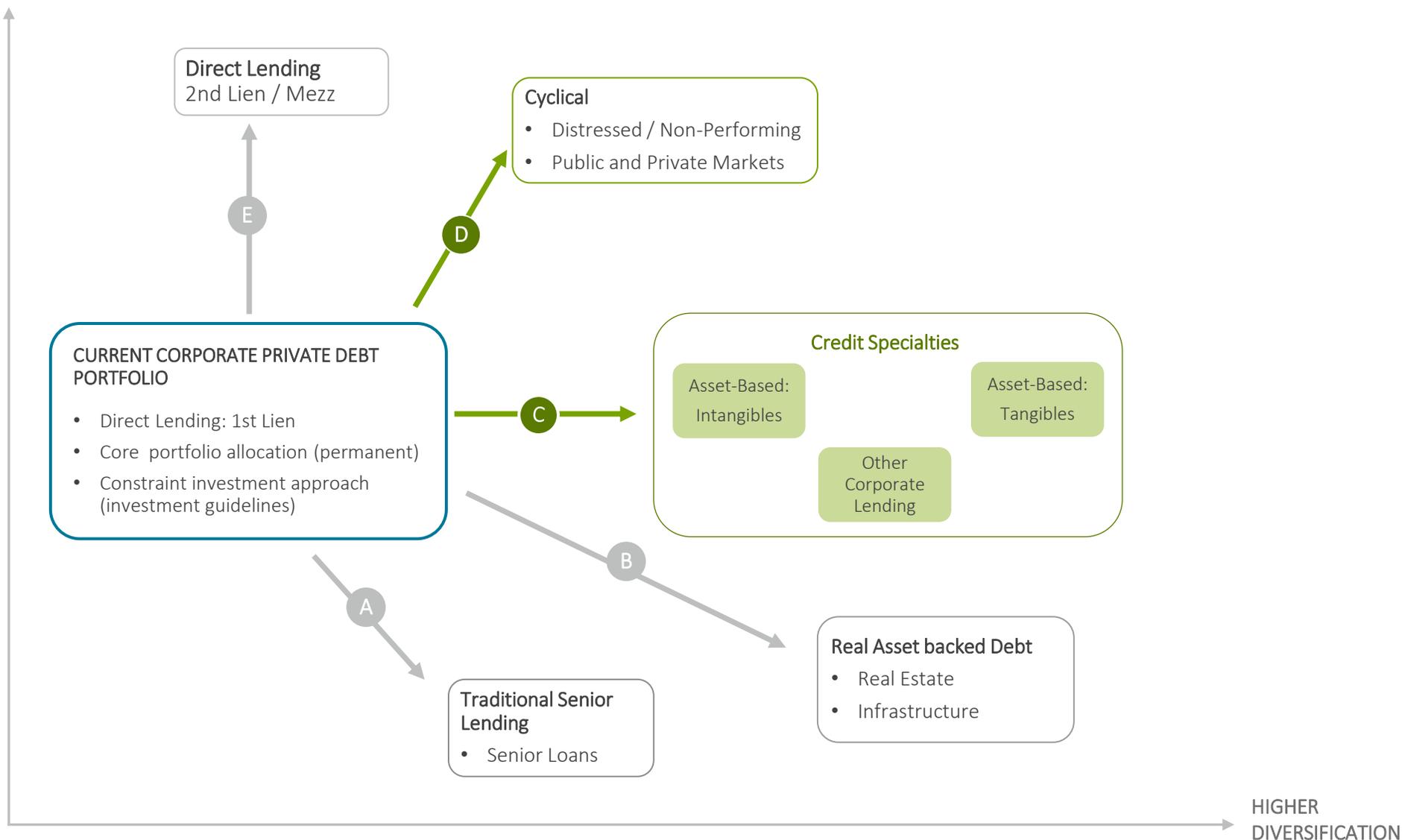


Source: StepStone Global, Internal Database as of September 2022, US First Lien Deals (more than 13'000 transactions and \$400bn of invested capital). Risk free presents the weighted average of max(LIBOR, LIBOR Floor) of the deals originated within the respective vintages, where the 3-month LIBOR is used as reference rate. Yield includes the cash coupon as well as OID and Arrangement Fees and assumes 3-year expected life

Loss Rates present the annualized vintage loss rates and takes into account any principal loss as well as any interest foregone. One large loss in 2018 was excluded from the analysis since it distorts the analysis

Opportunity 2 – Credit Opportunities

HIGHER RETURNS /
HIGHER RISK



CONCLUSION

Dimensions of Diversification

DIVERSIFICATION BY MARKET SEGMENT

- Avoid tilts to large or small borrowers
- Capture sponsor and non-sponsor flow
- Include opportunistic allocation as well as other lending strategies



DIVERSIFICATION BY GP

- Reduced dependency for a single deal flow
- Ensure broad coverage of the market
- Harvest local expertise

DIVERSIFICATION BY REGION

- Diversify regional characteristics
- Account for macro dispersion

DIVERSIFICATION BY BORROWER

- Avoid concentration risk
- Reduce loss rate variance

DIVERSIFICATION BY DEPLOYMENT

- ✓ Diversify by sourcing channel
- ✓ Account for flow correlation and dispersion

CHANGE IN DEPLOYMENT VOLUME

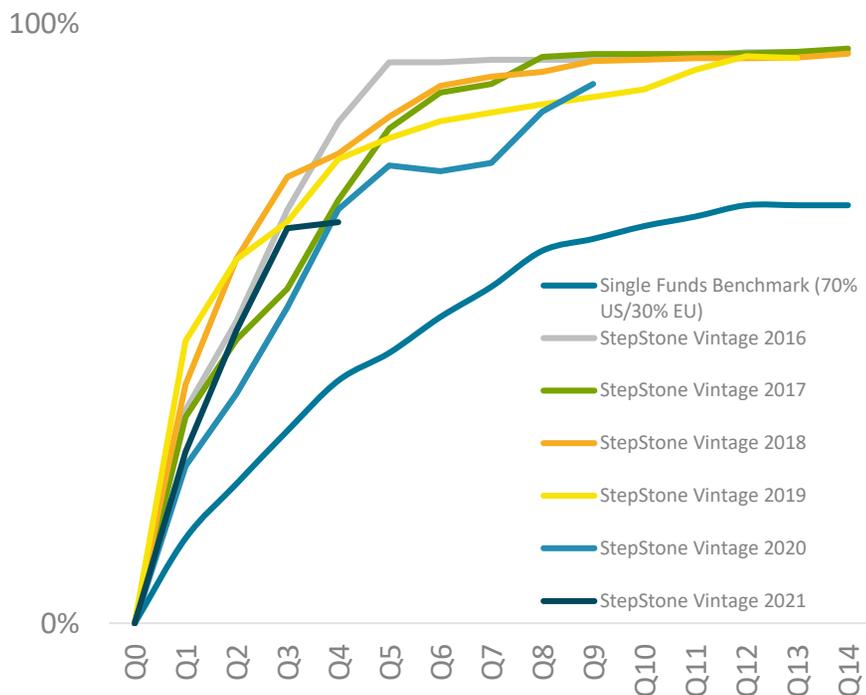


Source: StepStone, Data reflects COVID impact Q1/Q2 2020. Chart compares deployment in Q1 2020 vs Q1 2019 and Q2 2020 vs Q2 2019. Reflects manager on the StepStone platform since Q1 2019. **Past performance is not necessarily indicative of future results** and there can be no assurance that the investment will achieve comparable results or avoid substantial losses. Gross IRR will ultimately be reduced by management fees, carried interest, taxes, and other fees and expenses.

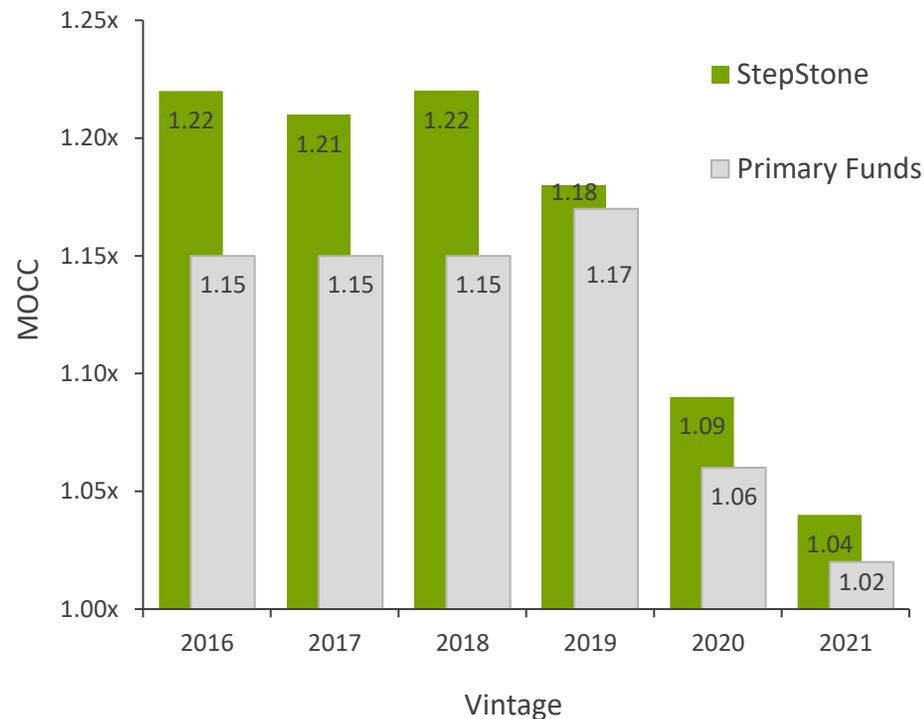
Performance Measure in Private Debt

Multiple on Committed Capital («MOCC»)

INVESTMENT EFFICIENCY



MORE DOLLARS EARNED



✓ DEPLOYMENT SPEED + ✓ HIGHER INVESTMENT EXPOSURE

75%+

deployed within 12 months

35%+

more capital deployed in the first 3-years compared to primary funds

85%+

more money earned in average after 1 year

35%+

more money earned in average after 3.5 years

III. REVIEW OF PRIVATE DEBT PROGRAM

WHAT HAS BEEN DONE SO FAR

- In **April 2017**, the CCCERA Board **approved a Private Debt mandate** and selected **StepStone as implementation partner**
- StepStone and CCCERA management **worked closely to establish investment guidelines**, the **implementation** of the mandate **started in H2 2017**, and the first separately managed account started investing in Q2 2018
- During bi-weekly calls and regular in-person meetings, investment opportunities are discussed, and an exchange of observations and market information is facilitated
- As of June 30th, 2022, the portfolio has committed a total of \$1,268m in line with the agreed upon investment guidelines: **\$850m has been committed to Core managers, \$295m has been committed to Satellite funds and \$123m cumulatively has been funded to co-investments including recycled capital**
- StepStone regularly provides detailed insights and proposals to topics such as **regulatory capital, specialty finance, real estate credit, opportunistic and distressed debt** and other opportunities

OUTLOOK H2 2022 - 2023

- We continue the implementation of the mandate as defined in close coordination with the CIO and the investment team
- StepStone plans to upsize an existing SMA by \$50m and launch a new \$150m SMA in H2 2022, with an expected investment start date in Q1 2023
- StepStone is targeting one new \$200m SMA and one new \$50m primary fund in 2023
- StepStone will continue to recycle capital for co-investments as investments are repaid

Private Debt Investment Objectives

CCCERA INVESTMENT STRATEGY

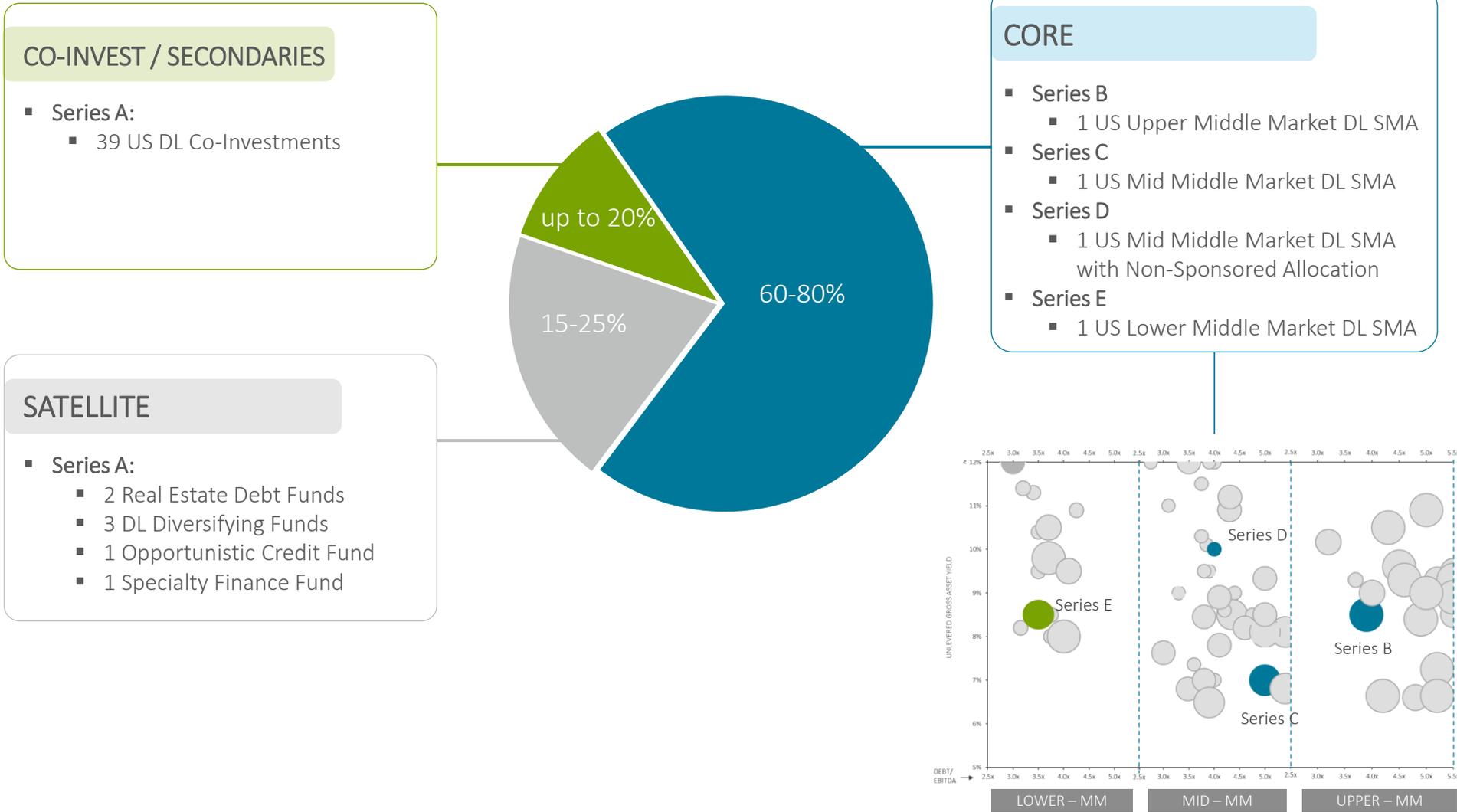
Support CCCERA in building a top performing global private debt portfolio by leveraging StepStone's research-intensive approach to invest opportunistically in high quality managers with long-term view of earning a 10% yield on investments over a cycle

CONTRA COSTA COUNTY ERA'S (CCCERA) INVESTMENT OBJECTIVES

TARGET ASSET ALLOCATION	Up to 13% of CCCERA's total AUM
ELIGIBLE ASSET CLASSES	Mainly corporate debt but other asset classes such as real estate debt are not excluded
SUB ASSET CLASSES	Non-first lien debt: Max US\$300m Non-corporate debt: Max US\$300m
RETURN OBJECTIVES	Target net IRR of approximately 10% over a cycle
CASH YIELD / DISTRIBUTION	Not primary focus, but welcomed
GEOGRAPHIC PREFERENCE	Global (weighted towards North America)
IMPLEMENTATION	SMA's, primaries, co-investment and secondaries
FLEXIBILITY	Retain flexibility to control and steer allocations over time, especially through or post down cycles

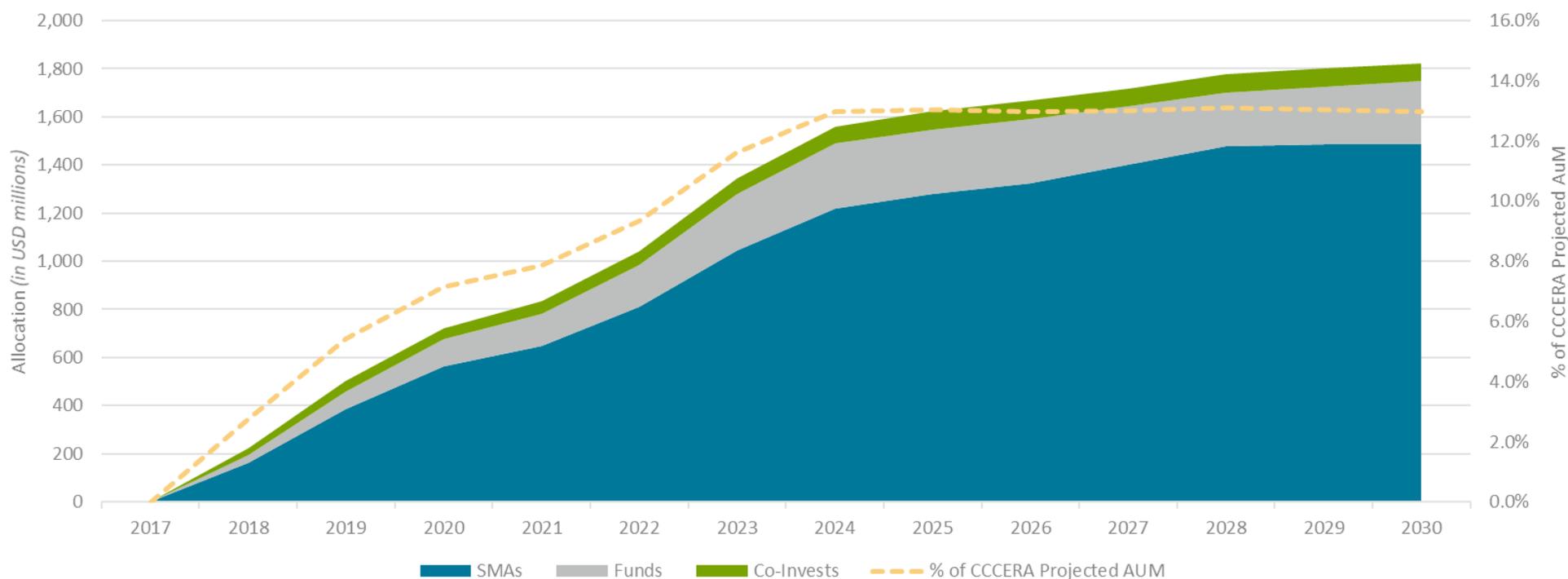
Target returns are hypothetical and are neither guarantees nor predictions or projections of future performance. Future performance indications and financial market scenarios are no guarantee of current or future performance. There can be no assurance that such target IRRs will be achieved or that the fund will be able to implement its investment strategy, achieve its investment objectives or avoid substantial losses. Further information regarding target net IRR calculation is available upon request.

Private Debt Portfolio Construction



Data as of June 30, 2022.
Target allocation represents percentage of total commitments.

Pacing Model



Private Debt Program

<i>\$ in millions</i>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>
Total Projected Private Debt Program NAV	\$503	\$719	\$835	\$1,042	\$1,346	\$1,560	\$1,623	\$1,668	\$1,718	\$1,777	\$1,801	\$1,822
% of CCCERA Projected AUM	5.4%	7.1%	7.9%	9.3%	11.6%	13.0%	13.0%	13.0%	13.0%	13.1%	13.0%	13.0%
Total Gains (Losses) on Investments	\$34	\$45	\$32	\$108	\$118	\$141	\$152	\$155	\$160	\$165	\$169	\$170
Annual Capital Call from CCCERA	\$591	\$178	\$94	\$179	\$291	\$212	\$69	\$69	\$108	\$113	\$56	\$52
Annual Distributions to CCCERA (not reinvested)	\$18	\$6	\$9	\$80	\$106	\$140	\$157	\$179	\$218	\$219	\$201	\$200
Net Funded Amount by CCCERA	\$573	\$171	\$85	\$99	\$185	\$73	(\$89)	(\$110)	(\$110)	(\$106)	(\$145)	(\$148)

For illustrative purposes only

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

Close coordination has been achieved over the last twelve months through:

- 26 progress and coordination calls
- A virtual meeting with CCCERA comprising a portfolio ‘deep dive’ to discuss investment objectives, portfolio construction, pacing and planning
- In-person meetings at StepStone’s New York, Zurich and London offices to provide updates on the portfolio and discuss new opportunities
- Various ad-hoc discussions on specific topics

Core	Satellite	Co-invest / Secondaries
<ul style="list-style-type: none"> • Arranged and co-hosted virtual due diligence meetings with pre-selected GPs • Established a new \$150m SMA 	<ul style="list-style-type: none"> • Reviewed 13 different opportunities across 4 different strategies • Arranged and co-hosted various due diligence meetings for CCCERA team members • Completed two new \$50m primary funds investments • Currently discussing several opportunities 	<ul style="list-style-type: none"> • Reviewed 314 single co-investment opportunities • Invested in 18 new co-investment transactions as of September 23, 2022⁽¹⁾

Note: All figures LTM as of September 23, 2022

1. Includes add-on transactions

IV. PRIVATE DEBT PORTFOLIO PERFORMANCE

Private Debt Performance Summary

- As of June 30th, 2022, CCCERA's private debt portfolio comprised US\$1,277 million in cumulative commitments to the following investments: 4 SMAs, 7 Primary Funds and 39 Co-Investments
- The portfolio is performing in line with expectations, generating a Gross IRR and Net IRR of 10.2% and 9.5% since inception, respectively

US\$ in millions	30-Jun-22	30-Jun-21	31-Dec-21
Performance Statistics			
Number of Managers	28	20	26
Number of Borrowers ⁽¹⁾	362	282	311
Committed Capital	\$1,268m	\$1,003m	\$1,171m
NAV	\$885m	\$716m	\$835m
Target Gross IRR	>10%	>10%	>10%
Gross IRR ⁽²⁾	10.2%	10.1%	10.5%
Net IRR ⁽³⁾	9.5%	9.3%	9.8%
Portfolio Statistics⁽¹⁾			
Average Net Senior Leverage	4.5x ⁽⁴⁾	4.1x	4.2x
Average EBITDA	\$49m ⁽⁴⁾	\$48m	\$54m
Traditional 1 st Lien and Unitranche	98.6% ⁽⁴⁾	99.4%	98.6%
% of closed deals w/ one or more Covenants	100.0% ⁽⁴⁾	100.0%	100.0%

1. Data excludes investments in Real Estate Credit and Regulatory Capital. Portfolio statistics only include current active investments.

2. Data reflects performance net of GP fees but gross of StepStone's fees.

3. Data reflects performance net of GP fees and StepStone's fees.

4. Data as of March 31st, 2022.

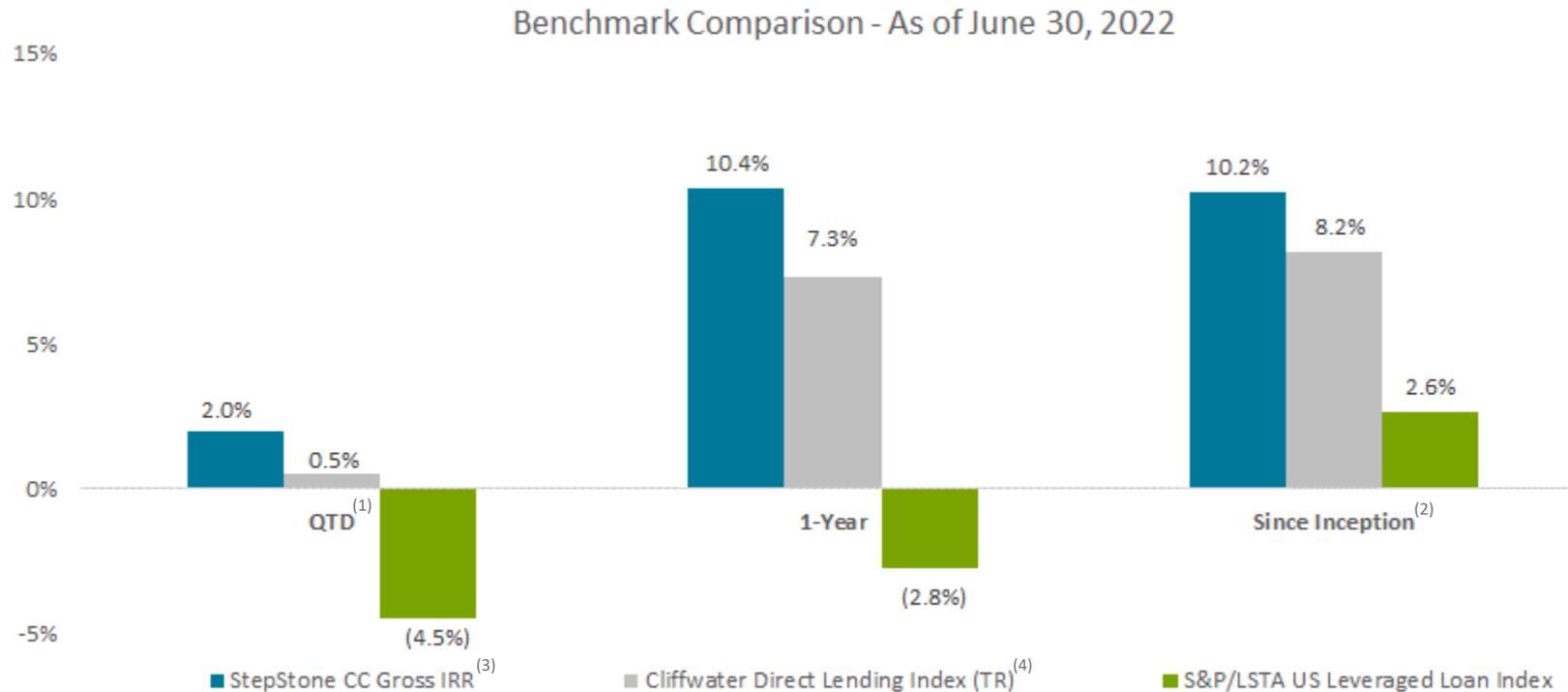
Source: StepStone Research

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

For illustrative purposes only

Performance versus Benchmarks

- StepStone CC portfolio has outperformed the Cliffwater benchmark through June 30, 2022



1. QTD IRR is not annualized.

2. Inception represents date of first capital call on February 12th, 2018. 3. StepStone CC IRR is net of underlying fund and investment fees, but not net of StepStone Advisory fees. Including Co-investment and Primary investments.

4. Cliffwater Direct Lending Index Total Return (TR) PME+ starts with the Long Nickels calculations and represents the opportunity cost comparison of how funds would have performed had they been invested in the public index using a coefficient to scale the fund's distributions so that the public market theoretical valuation remains positive.

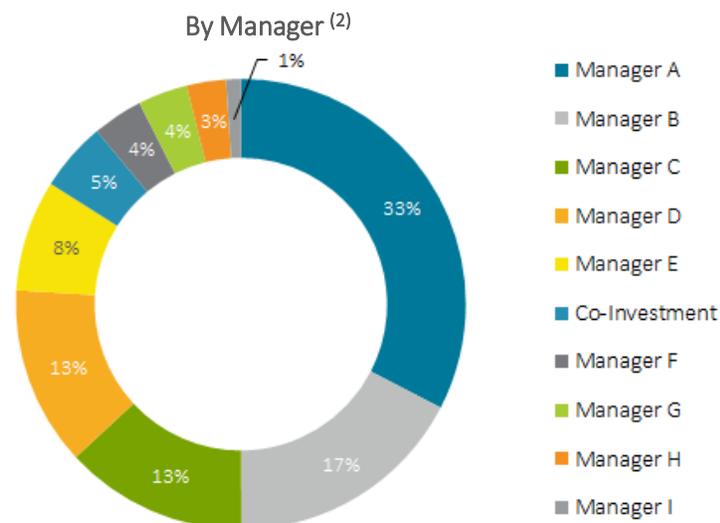
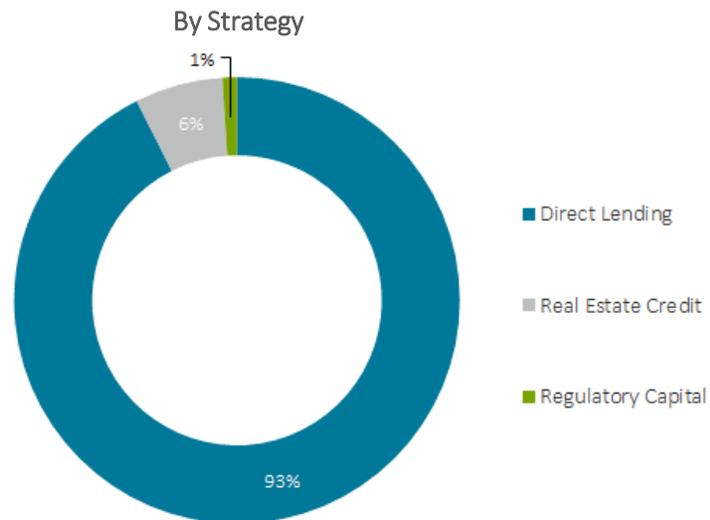
Notes: The indices is shown for general market comparison and is not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect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

Source: StepStone Research

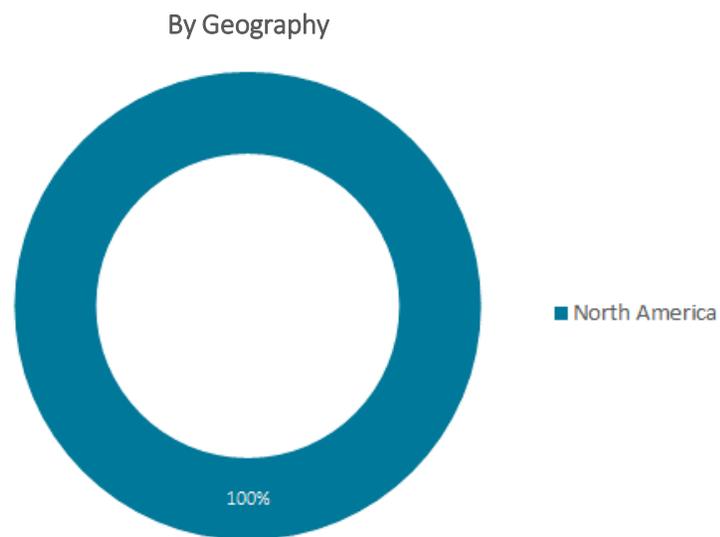
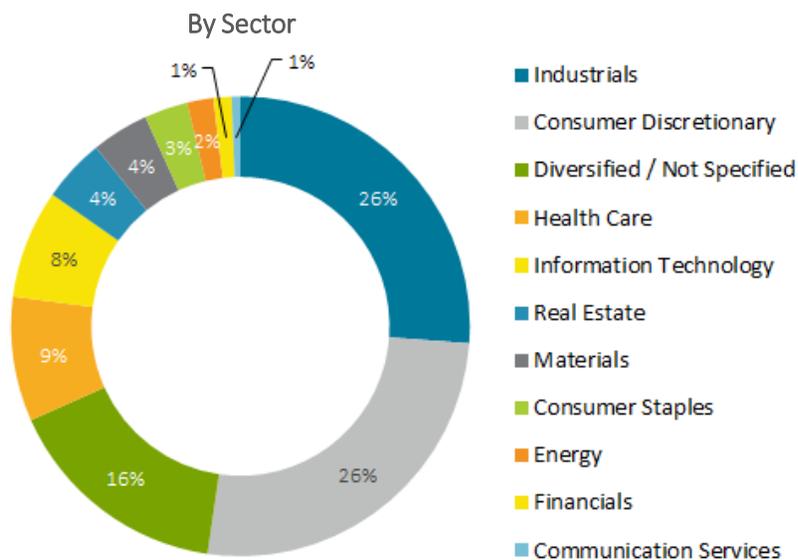
Past performance is not necessarily indicative of future results and there can be no assurance that the fund will achieve comparable results or avoid substantial losses.

Portfolio Exposure⁽¹⁾

Fund Level Exposure



Underlying Look-Through Exposure⁽³⁾

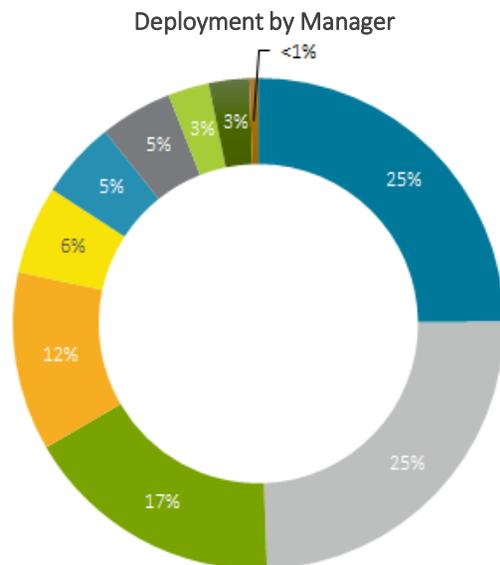
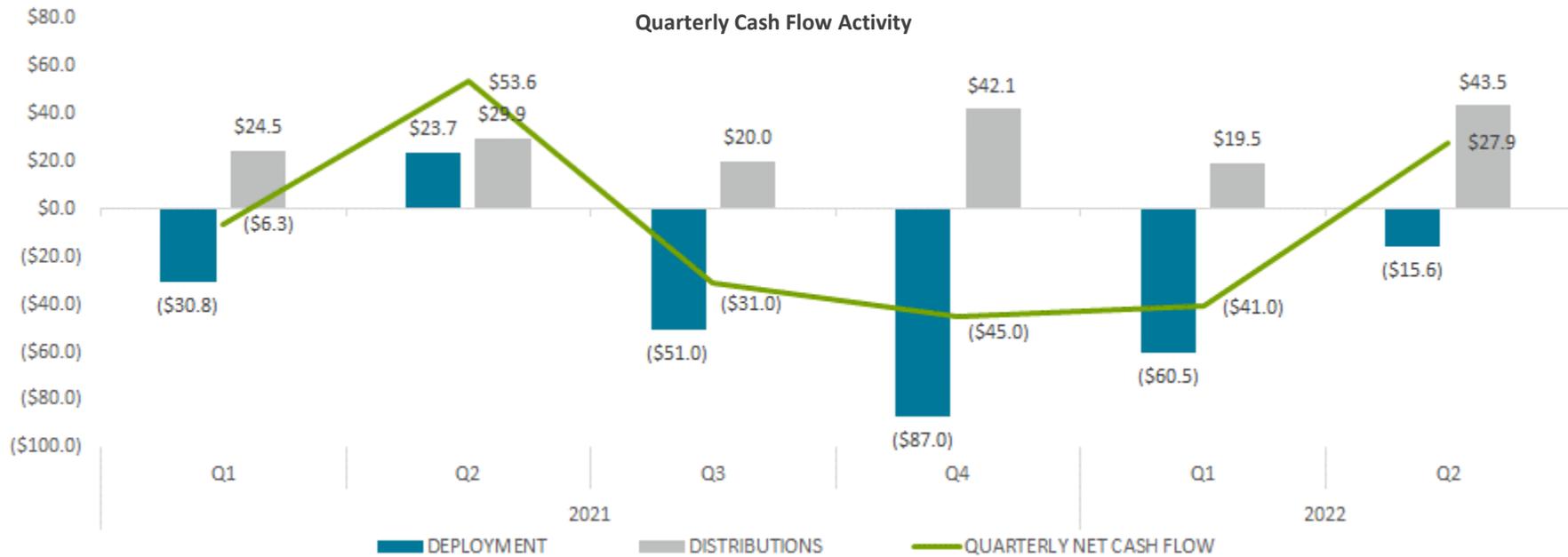


Data as of June 30, 2022.

1. Exposure represents the sum of the (i) unfunded balance and the (ii) fair market value as provided by the general partner.
2. Managers represented for co-investments have brought their respective deals forward.
3. Diversified/Not Specified consists of Other and Diversified assets not specified by the underlying managers.

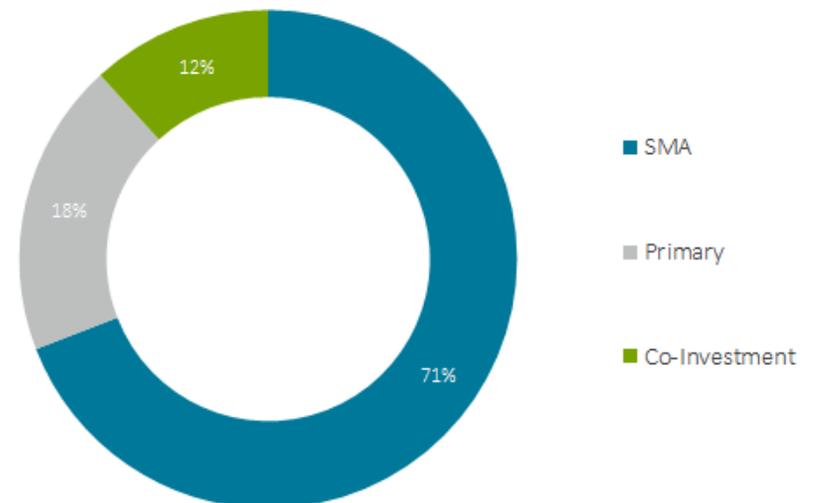
Cash Flow Analysis – Fund Level

- From March 31, 2021 to June 30, 2022, the Fund deployed \$221.1m to underlying investments



- Manager A
- Manager B
- Manager C
- Co-Investments
- Manager D
- Manager E
- Manager F
- Manager G
- Manager H
- Manager I

Deployment by Investment Structure Type



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.

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.

Risks and Other Considerations (cont.)



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.

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