STEPSTONE

Private equity house views 2026

February 2026

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All data is as of January 2026, unless otherwise noted.

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Global macroeconomic indicators

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2026 macroeconomic outlook

Uncertainty surrounding inflation, economic growth, and interest rates remains high

	Short term	Long term
Inflation	While euro-zone inflation is currently at target, progress in the US and UK has stalled, and inflation has even started to accelerate again in some cases. With the trade and immigration policies being currently implemented in the US, inflation risk is likely increasing.	Demographics and trend toward deglobalization could prove inflationary. Decarbonization could also be inflationary as externalities are priced in. These structural changes point to above-target risk for inflation in the long term.
Interest rates	Most central banks have shifted towards easing, but the pace is tied to inflation and therefore varies across regions. However, even as policy rates come down, long-term interest rates have remained elevated. This is expected to continue as increasing concerns around fiscal sustainability keep upward pressure on the term premium. US political pressure on the Fed's independence may also lead to higher US interest rates.	Interest rates are likely to remain higher than over the previous decade due to structural inflationary pressures and certain long-term trends, including a declining savings rate as the population ages and the growing fiscal deficits facing governments in the future.
Financial conditions	Financial conditions are easing as central banks cut rates. In addition, the large amount of capital at the disposal of lenders has contributed to increased availability of debt and led to more borrower-friendly lending terms.	Even though some central banks may be close to slowing down or stopping their current balance sheet reduction programs, a return to QE seems unlikely, which, combined with less ample reserves, may keep financial conditions tighter than in the previous decade.
Growth	Risks to global growth are tilted to the downside if elevated policy uncertainty continues, as it is weighing on business investments and consumer spending. Defense and infrastructure spending is expected to grow going forward, which could stimulate economic growth via government spending. AI-related investments also support growth.	Below-trend growth is likely over the near to medium term, with limited capacity for fiscal response due to high level of government debt. Magnitude and timing of AI driven productivity boost still uncertain.
Geopolitics	The war in Ukraine as well as tensions in the Middle East could further impact energy prices and trade lanes. The current trade disputes between China and some of its trading partners (e.g., US and EU) could reshape some of the supply chains.	Increased fragmentation, the creation of blocs, and heightened risk of conflicts could hinder economic cooperation, trade, and world growth. Restrictive trade policies and potential for trade wars represent downside risk for growth and possible upside risk to inflation and interest rates.
ESG risks	Weather-related damages affecting real assets are lifting insurance rates and challenging availability. ESG backlash could slow flow of capital into renewable energy infrastructure.	Important ESG related risks that require action are inequality and climate change. If unaddressed, the risks are more weather-related extreme events and political uncertainty/turmoil.

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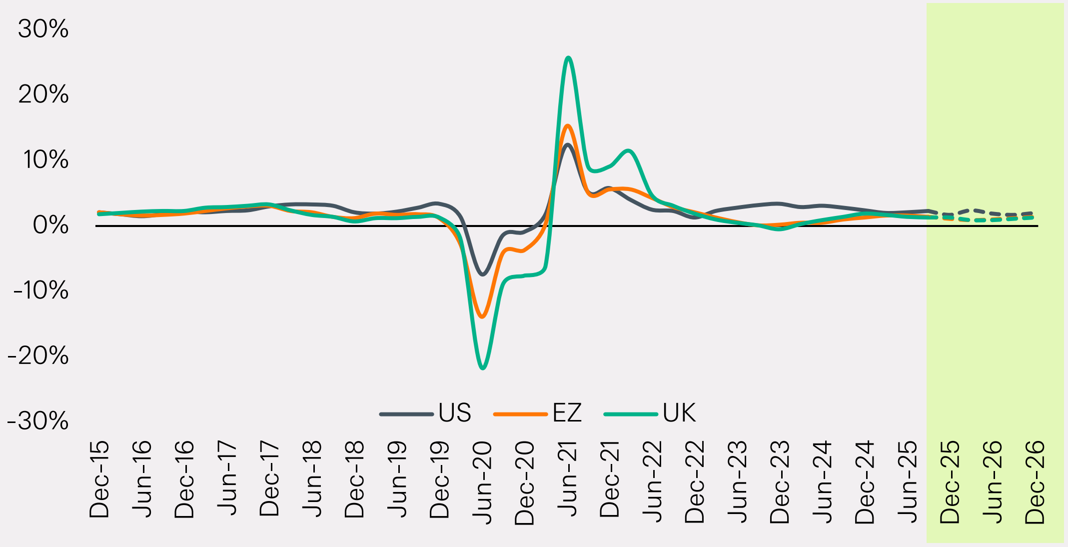
Economic growth and inflation forecasts

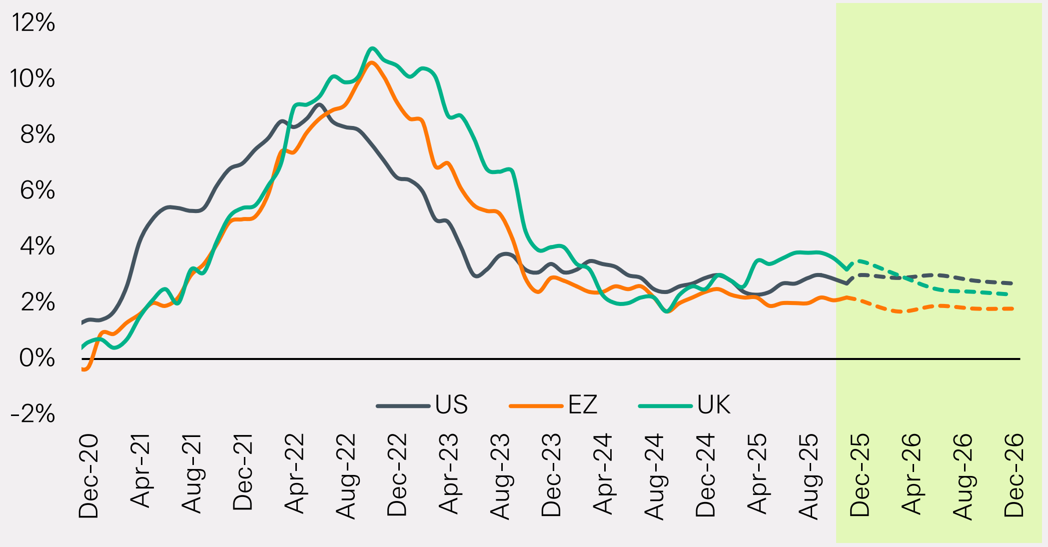
Trade policy has shifted consensus expectations toward slower growth and higher inflation in most major economies

Real GDP growth projections



- US economic growth is expected to moderate toward its long-term trend, with risks skewed to the downside
- In contrast, European growth is projected to improve in the second half of 2026

Inflation projections



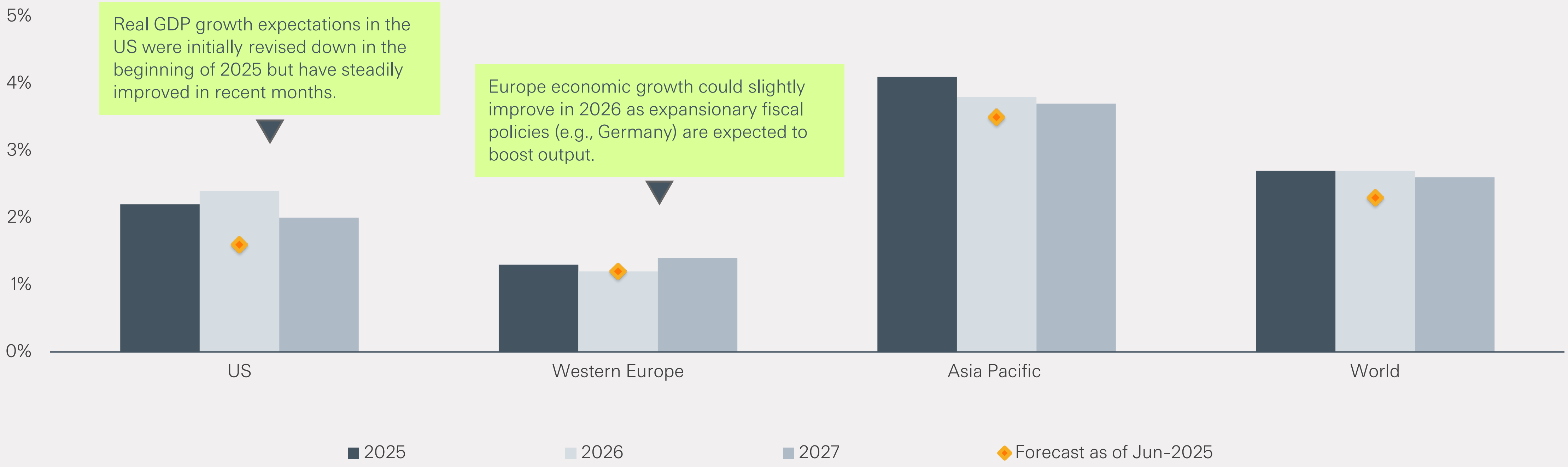
- Euro-zone inflation is anticipated to remain at target during 2026
- In the United States and the United Kingdom, more persistent inflation may constrain the scope for meaningful rate cuts if current trends persist in the year ahead

Source: Bloomberg, as of December 2025.

Regional growth expectations

Growth expectations differ across regions led by APAC but remain relatively weak in Western Europe.

GDP growth revisons[1]

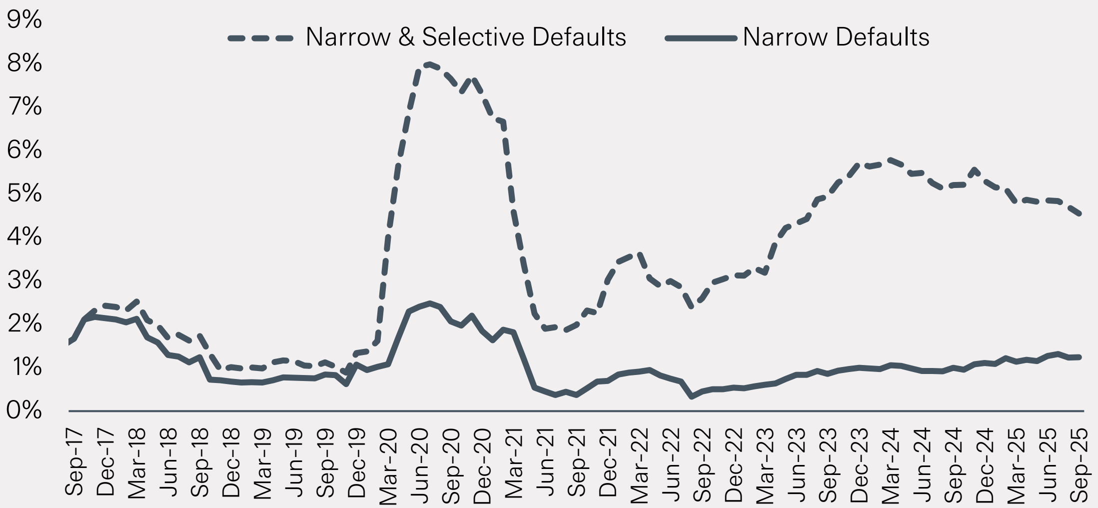


1. Consensus Economics as of January 2026
2. LCD as of December 2025

Default rates in direct lending and BSL

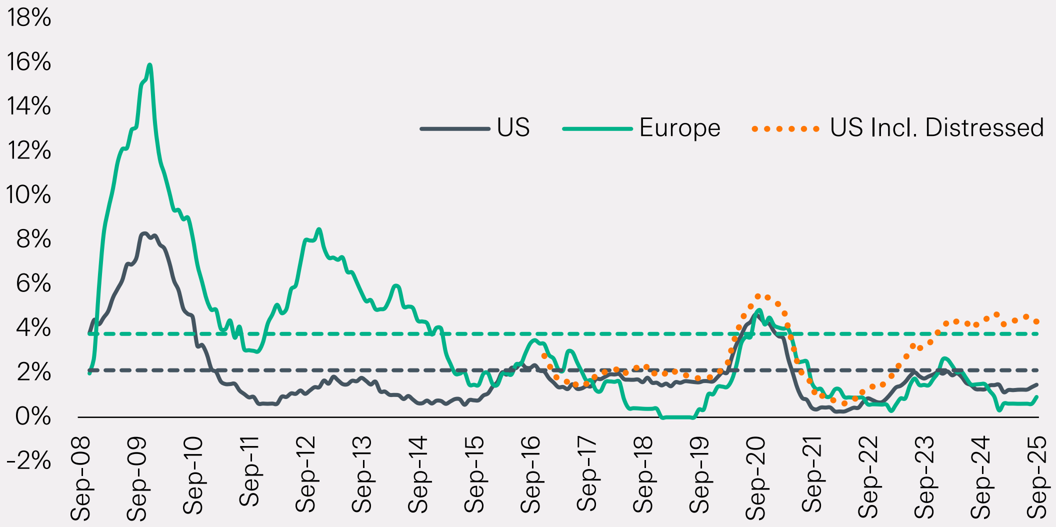
US direct lending default rates

LTM default rates (based on Middle-Market CLOs data)



Broadly syndicated loan markets

LTM default rates (based on issuer)



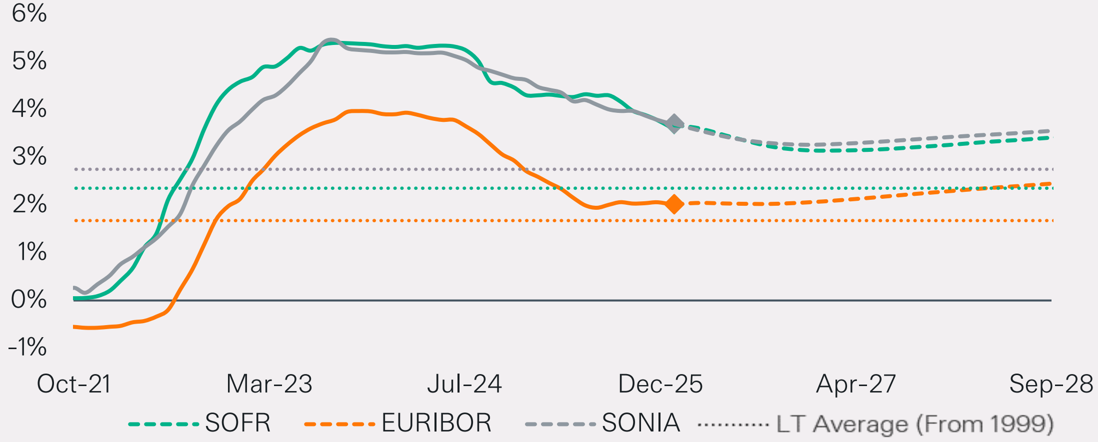
- Direct lending payment defaults remain within an acceptable level of 1.2%, broadly consistent with the leveraged loan market and only modestly higher than the unusually low levels seen in 2022 (0.3%)
- When accounting for PIK, payment deferrals, and extensions, overall defaults have been trending lower since late 2023, having fallen from close to 6% to ~4.5%
- Looking forward, defaults may gradually rise toward historical averages as some borrowers underwritten before the tightening cycle and/or Covid may migrate into full default over time

Source: S&P Global & Pitchbook LCD, as of September 2025.

Short term rates coming down at different pace

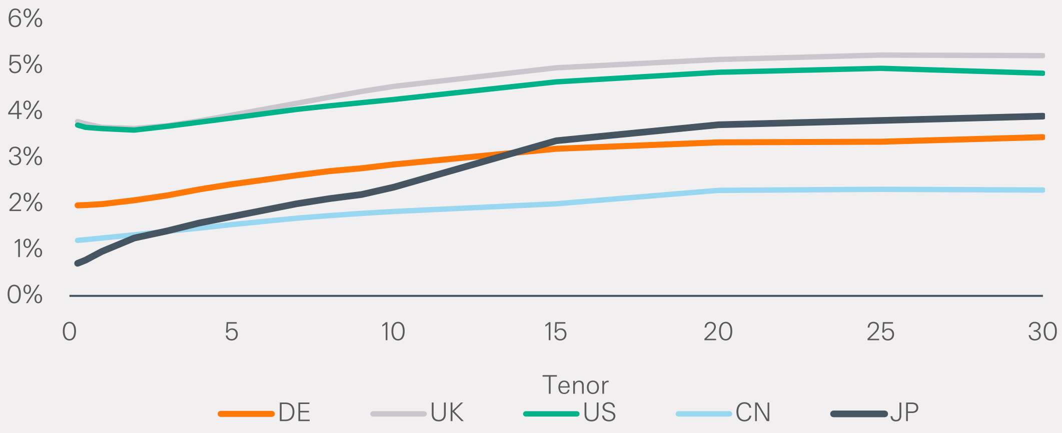
Rate hikes have helped to bring inflation down. While most central banks have now shifted towards easing, inflationary pressures will challenge both the timing and extent of rate cuts

Short-term interest rates



- Monetary easing is well under way, with the market currently pricing several rate cuts from the Fed in 2026. The ECB is expected to have reached the end of its easing cycle, while the BoE is expected to ease further into 2026
- While down from recent peaks, rates will likely stabilize above longer-term averages.

Yield curves



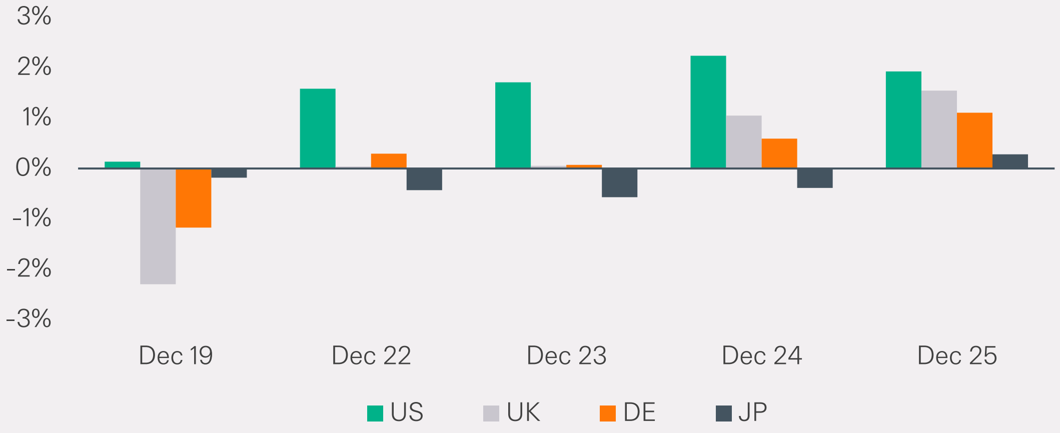
- Yield curves (10–2Y) steepened across all regions have turned positive. There is room for the yield curve to steepen further as the short-term keeps decreasing due to the central banks' current easing bias and growing worries from investors on fiscal sustainability, which is likely to put upward pressure on the term premium.
- Recent attacks on the Fed's independence by the US administration could put upward pressure on long-term interest rates

Source: Bloomberg, as of January 2026

What happens to longer term rates?

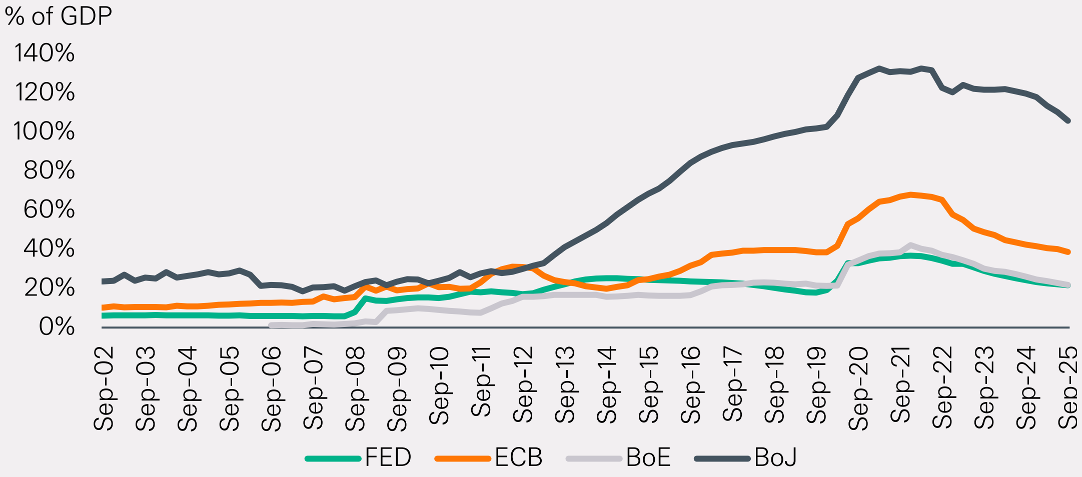
Higher 10-year real rates and less ample reserves from central banks could leave financial conditions tighter than in the past decade

10y real yield[1]



- 10-year real yields have increased considerably since the central banks' tightening cycle.
- This is despite a recent shift to monetary easing, as worries surrounding fiscal sustainability are likely to keep the long-end of the curve higher.
- Increase in JGB real yields may divert flows from US treasuries as Japanese investors redirect investments to domestic bonds.

Central bank balance sheets[2]



- Central banks' balance sheets grew massively after the GFC and during the pandemic.
- Balance sheets have shrunk to pre-pandemic levels (ex, JP). Some signals suggest reserves are not ample anymore and unwind might slow or even be interrupted.

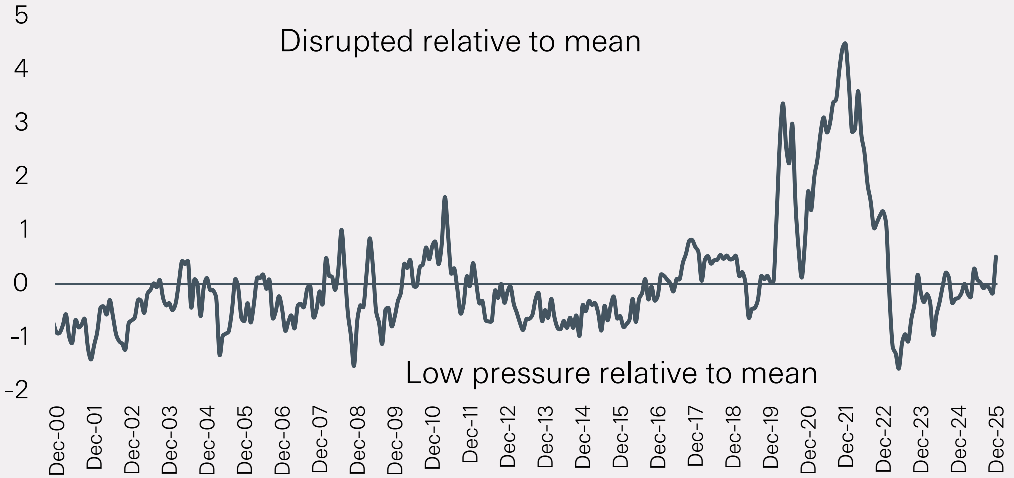
1. Bloomberg as of December 2025
2. Bloomberg as of September 2025

Input cost trends

Supply chains have normalized, but geopolitics and trade barriers pose upside risk to inflation

Supply chain pressure[1]

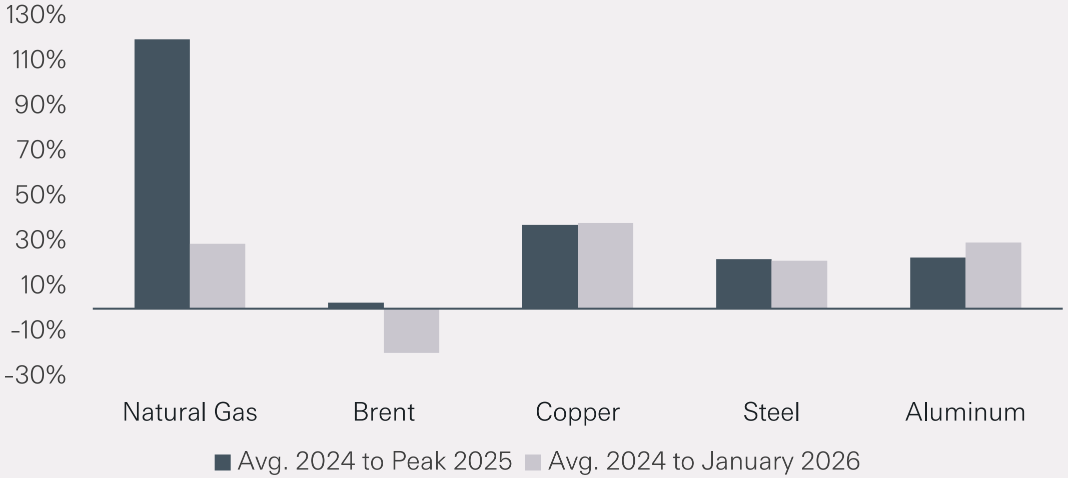
Index levels



- Aggregate measures of global supply chain pressures returned to pre-pandemic levels (particularly freight costs, delivery times).
- Trade barriers are higher now, which could negatively impact supply chains in the future.

Commodity price change[2]

In %



- Tensions in the Middle East pose upside risk to energy prices and in turn headline inflation, while weak demand from China, US deregulation of the energy sector, or further hikes in production from OPEC+ in the second half of 2026, could depress oil prices.
- While down from their 2025 peaks, prices for several metals increased following the US tariff announcement.

1. NY FED as of December 2025
2. Bloomberg as of January 2026

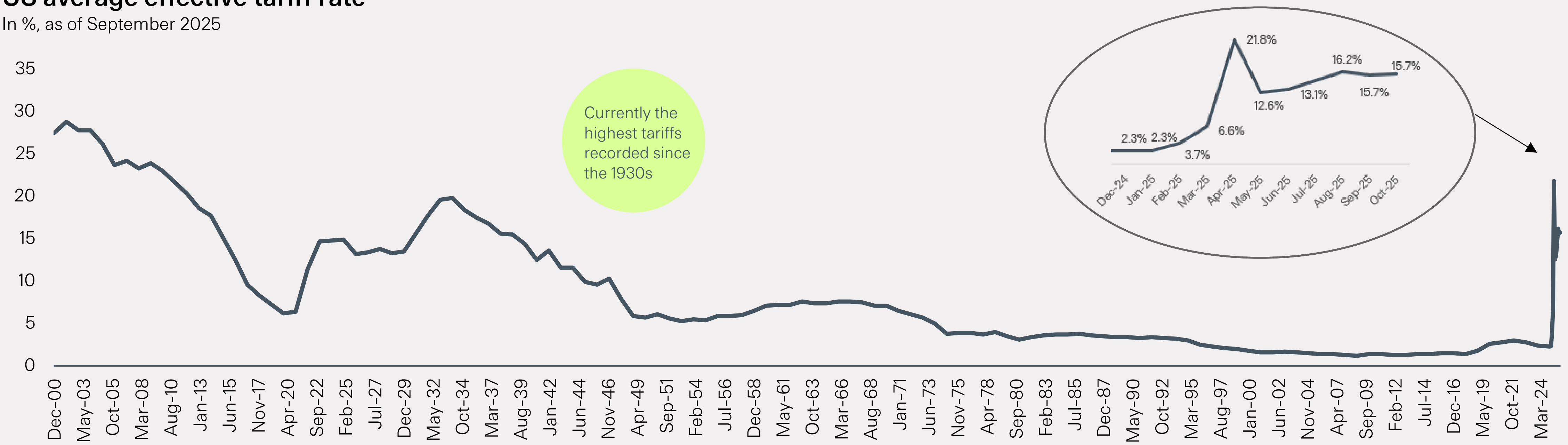
Tariffs – current situation

Currently implemented tariffs increased the average effective tariff rate from 2.3% in 2024 to ~16% by the end of October 2025. This continues to be highly volatile.

Certain sectors sensitive to discretionary spending (apparel, home goods, etc) or global supply chains (auto, for example) appear to be more impacted by tariffs. These businesses are finding ways to reduce costs, move supply chains, and push prices to the end consumer to maintain profits, but this is a process that will take several quarters to implement.

US average effective tariff rate[1]

In %, as of September 2025



Source(s): USITC, Bloomberg

1. Duties collected as a percent of imports calculated using 12-month moving totals.

Tariff impact by region/sectors

Topics	Comments
Differentiated regional impact	– US companies are most likely affected by rising input costs as well as lower revenues – Trading partners affected via lower revenues
Middle market vs. large cap	– Small and middle-market companies are less reliant on global supply chains and thus are expected to be relatively less affected by the tariffs' negative impact
Sectoral vulnerability	– Sectors expected to be most affected: automotive, industrials, hardware technology, and consumer discretionary. Dominant sectors in the PE market tend to be software technology, healthcare, business, and financial services – Certain business models could be fundamentally challenged, especially those that remain heavily dependent on Chinese supply chains
Second-order impact	– Impacts will not be limited to first-order (input prices and tariff-induced sales declines) but also second-order effects. Like ripple effects in the supply chain of directly impacted businesses or general uncertainty-induced pullback of capex or consumption spending. – Second-order impact via slower growth may have bigger consequences for earnings than the first-order impact.

Source: StepStone and Cliffwater, as of July 2025. 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.

Private equity market trends

The private equity landscape

1

Sponsor M&A rebound driven by large transactions

The M&A pause post US tariff announcements in April 2025 began to dissipate in late summer, beginning with the debt markets re-opening more substantially.

New deal activity rebounded in Q3 and Q4, driven by large transactions. Volume of new deals grew only modestly. Valuation gap should continue to close, and with continued elevated levels of dry powder some of which is aging, new deal momentum should continue into 2026.

2

Distributions are up but backlog remains

Exit activity also picked up momentum in 2025, but distributions as a % of NAV remain meaningfully below the long-term average of 21%. With over 60% of PE companies at 4+ years old, 2026 should bring continued recovery in distributions. Until then, fundraising will continue to be slow.

Secondary markets are growing as a liquidity solution, both for LPs who want to sell stakes and GPs who want to deliver liquidity in continuation vehicles (“CV”). Transparency in CV processes continue to be important, as that market deepens.

3

Public/private returns

Over the long run, median private equity has outperformed (measured by Direct Alpha) the MSCI ACWI in 20 of the 22 vintages between 2000 and 2021. Outperformance ranged from 300 bps to 500 bps. Top quartile funds have outperformed more meaningfully.

PE underperformance vs. publics (especially U.S. large cap) has come under scrutiny in recent years, particularly as public valuations grew significantly. It is not clear that going forward returns on public equity are sustainable at these levels.

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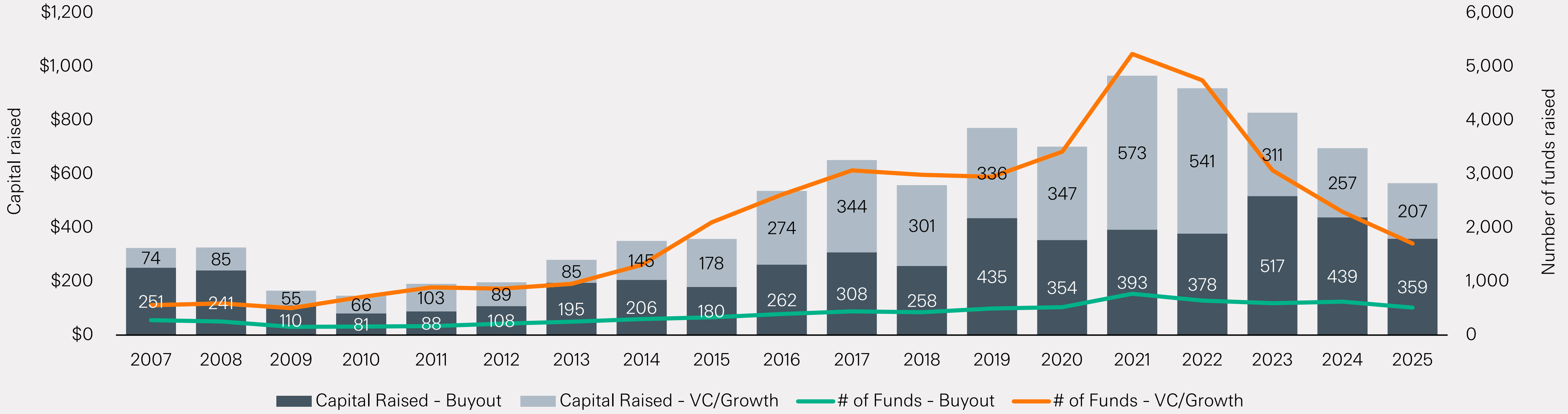
2025 fundraising fell short of prior-year levels

Global buyout and VC fundraising activity declined in 2025, with longer fundraising timelines and fewer GPs holding final closes.

LPs are concentrating capital with larger established GPs and strong performing middle-market GPs. GPs with strong recent distribution activity, as well as seasoned primaries, are also getting better fundraising traction.

Private equity fundraising

$ in billions



Source: Preqin as of January 12, 2026. Preqin data is continuously updated, and historical values are subject to change. Represents final closings for private equity buyout and VC/Growth funds in all geographies.

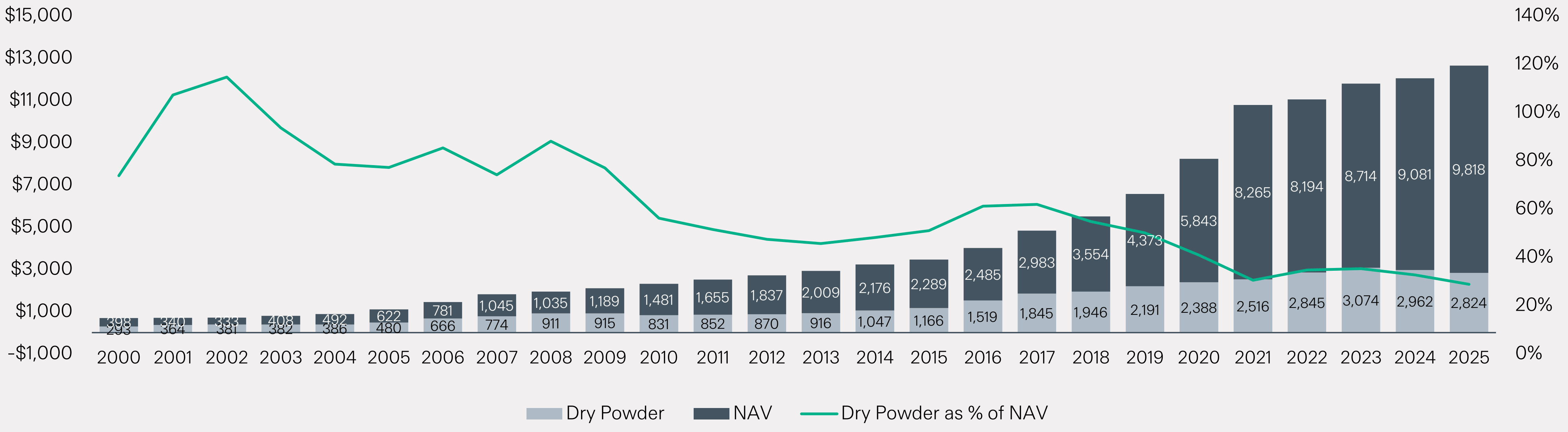
Most of PE exposure growth is in NAV

Dry powder as % of NAV has come down over the years as sponsors continue to put money to work. Significant levels of NAV creates substantial secondary buying opportunities.

Continued high levels of dry powder, some of which is aging, supports ongoing recovery in deal activity in 2026.

Private equity NAV and dry powder

$ in billions



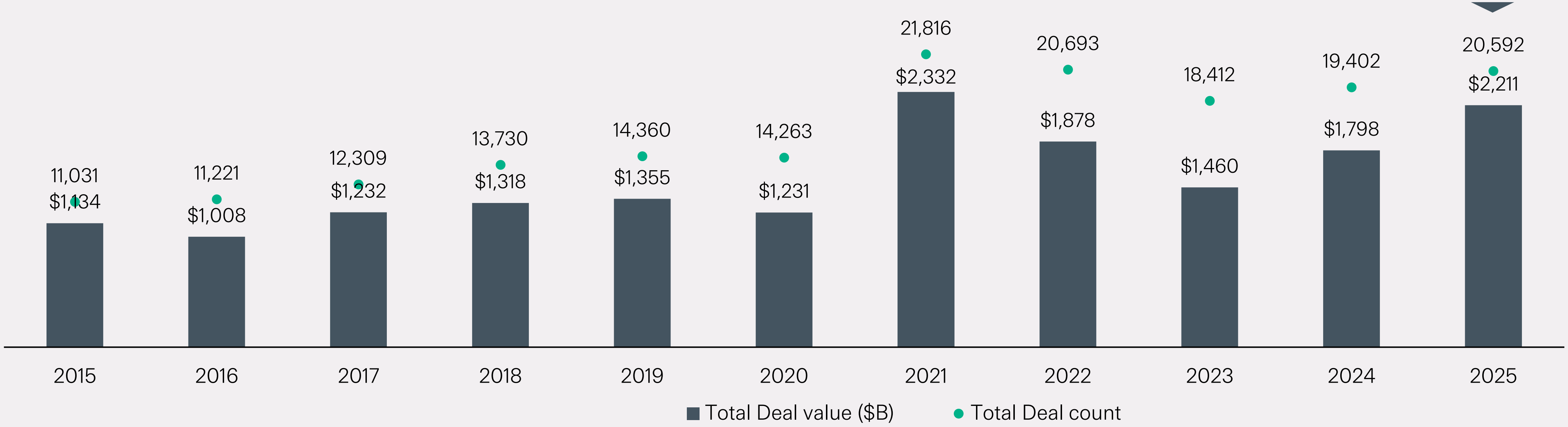
Source: Preqin. Data includes realized FY 2024 data as of June 29th, 2025. All PE funds, including secondary, FoF, and co-investment funds. Preqin data is continuously updated, and historical values are subject to change. Dry Powder as % of NAV. Figures are for each data point and are not totals for illustrative purposes.

PE new deal activity increased YoY driven by larger deals

PE deal value and deal count increased 23% and 6% in 2025. Large transactions drove strong recovery in late 2025

Large-scale transactions in 2H 2025:

- Electronic Arts take-private ($55B) – by SWF, Affinity Partners (Jared Kushner), Silver Lake
- Aligned Data Centers buyout ($40B) – by Blackrock consortium including Nvidia and Microsoft
- Air Lease take-private ($28B) – by SMBC, Apollo, Brookfield

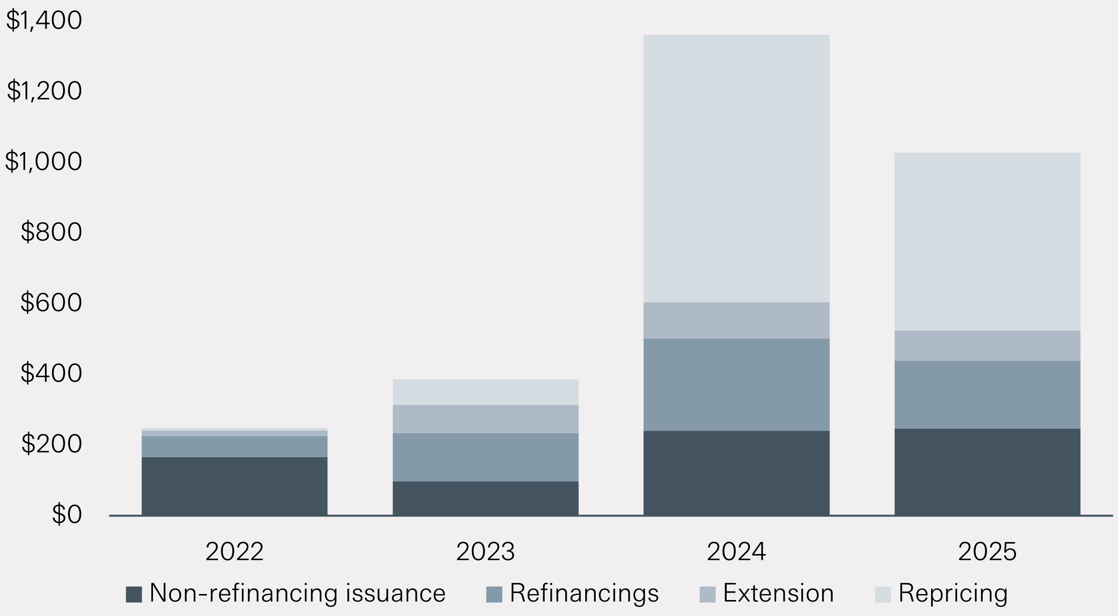


Source: Pitchbook, 2025 Annual Global PE First Look. Data as of December 31, 2025.

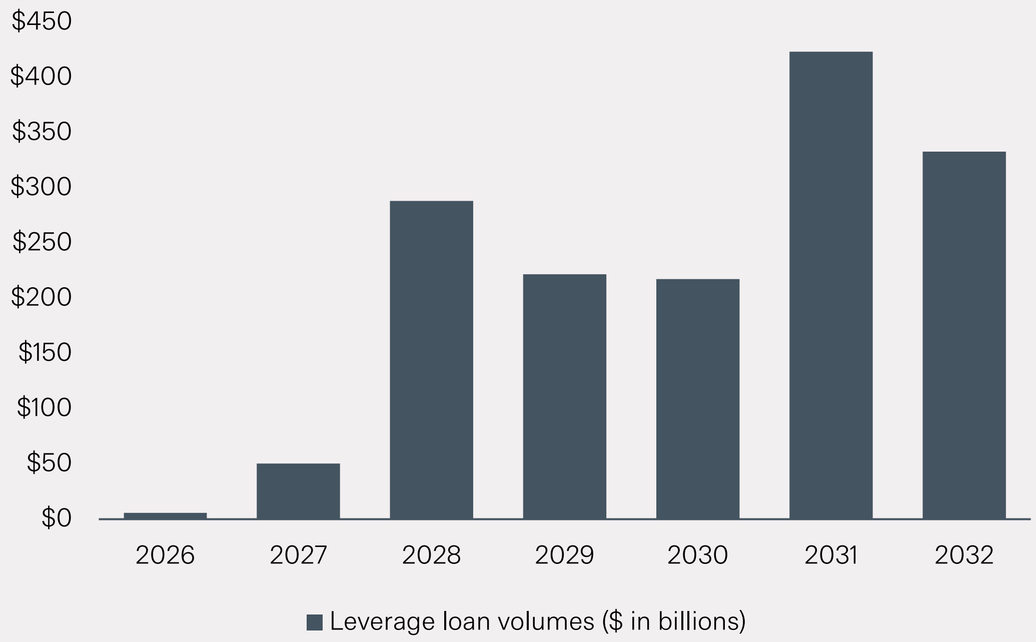
Healthy lending activity in 2025 despite tariff impact

Total lending volumes fell in 2025 as loan repricings tapered from the 2024 surge, when the credit markets reopened. Origination for new deals posted a modest 3% increase versus the prior year.

Lending activity[1]
$ in billions



Leveraged loan maturity profile[2]
$ in billions



1. Source: LCD, Pitchbook, Bloomberg. Data through December 31, 2025.
2. Source: LCD, Pitchbook, Morningstar LSTA US Leverage Loan Index. Data through December 31, 2025.

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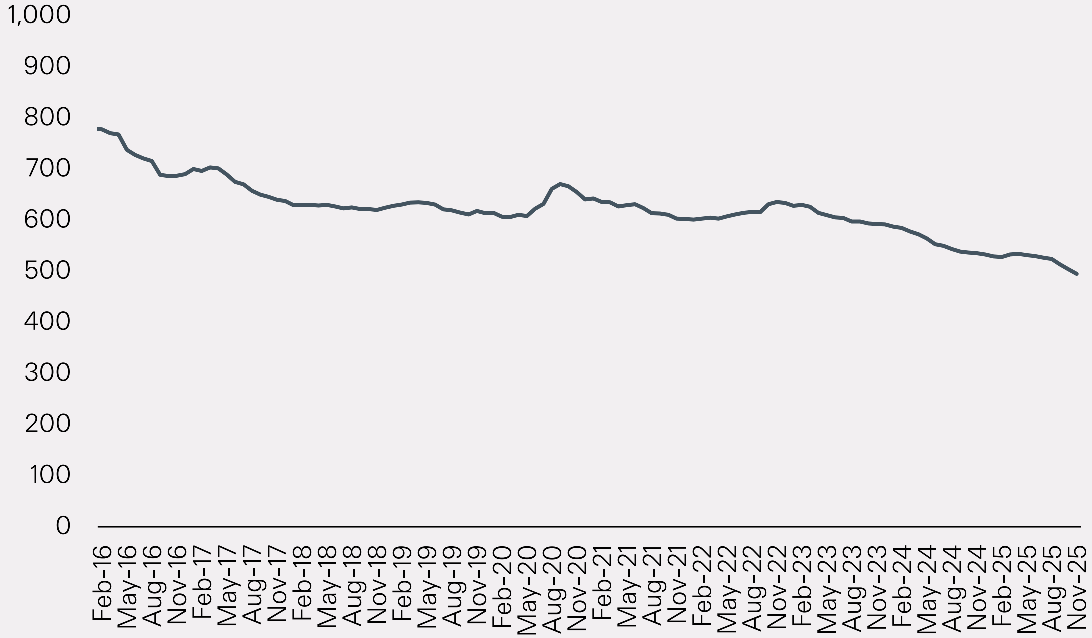
Spreads in direct lending compressing quickly

The lending market has become increasingly more attractive for equity.

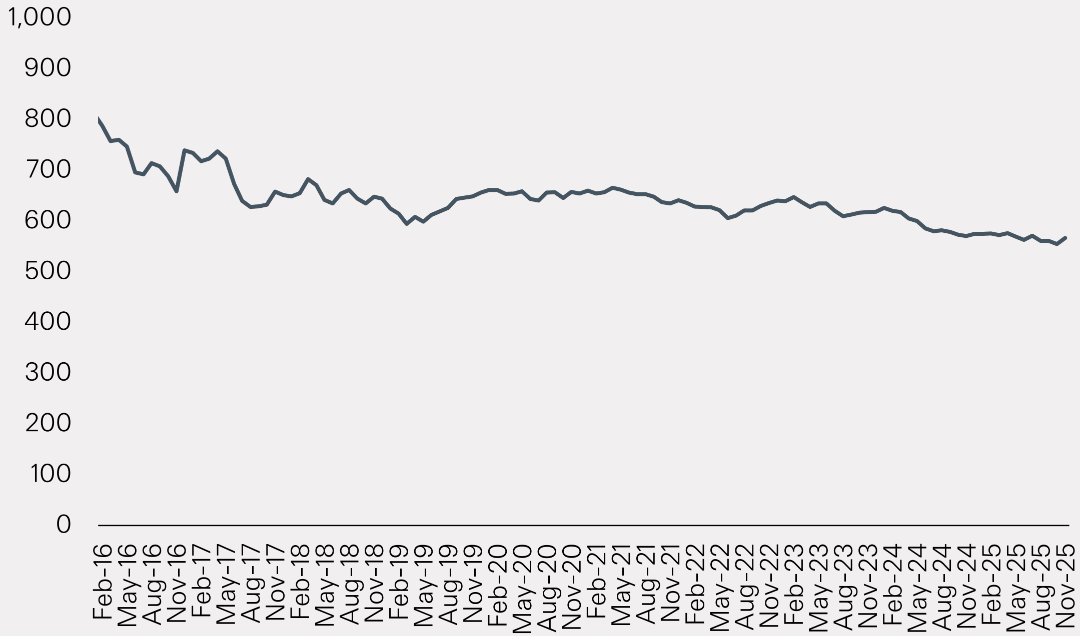
Median US first-lien contractual spread

In bps, new deals 180-days rolling



Median EU first-lien contractual spread

In bps, new deals 180-days rolling



Source: Kroll StepStone Private Credit Benchmarks, as of November 2025.

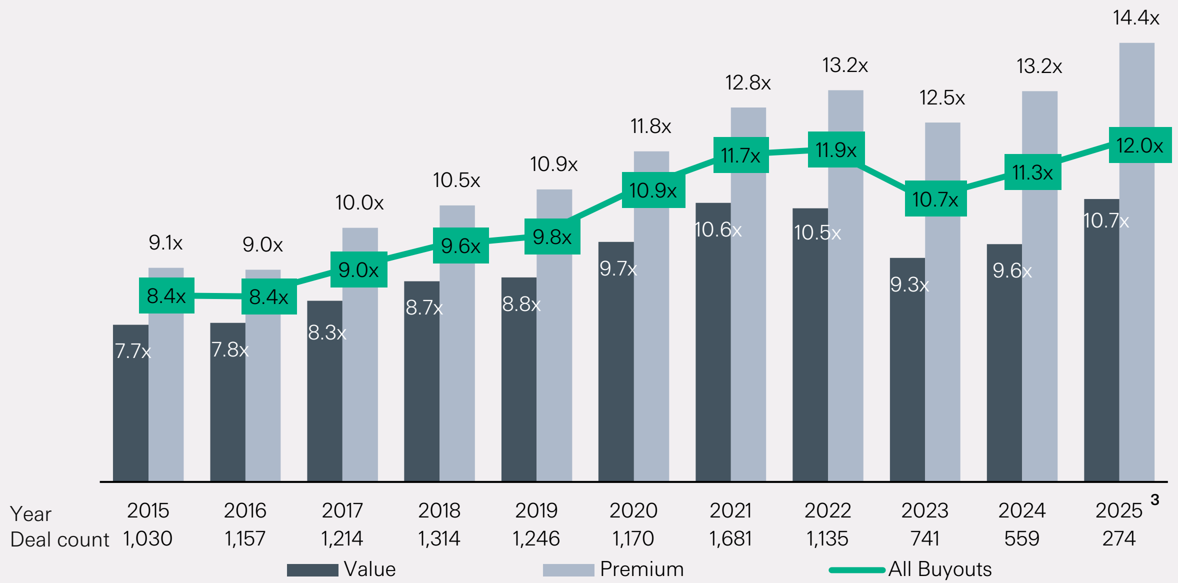
Buyout valuation environment

PE buyout multiples YTD in 2025 increased, driven by larger market transactions in sectors with lower direct exposure to tariff-related volatility, such as software and healthcare services.

However, there is a tale of two cities. Since 2022, the spread between value/premium industry and smaller/larger deals grew, with flight to perceived quality on new deals.

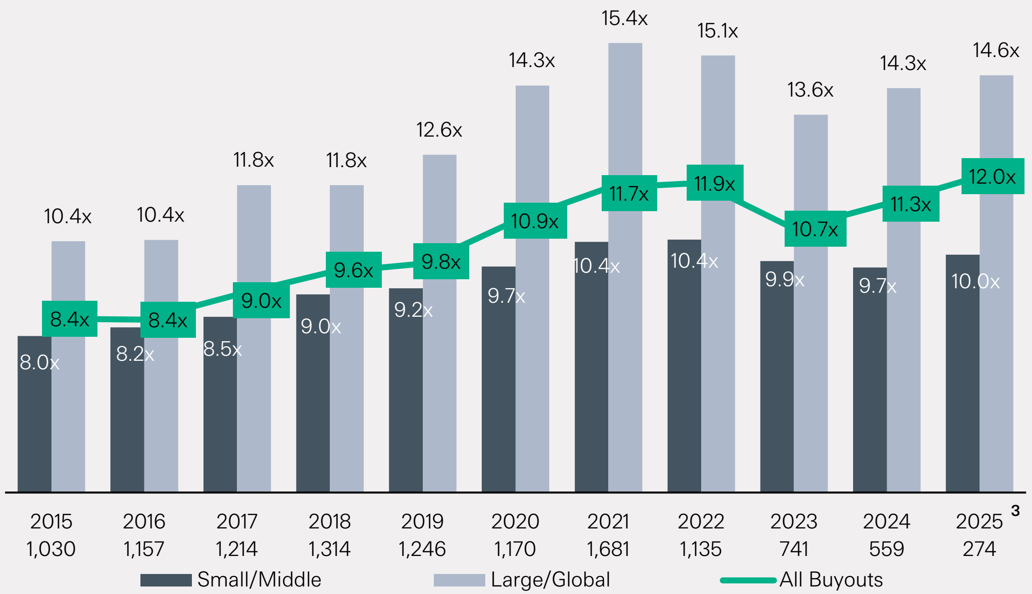
Purchase multiples – value vs. premium industry buyouts[1]

2015–September 2025



Purchase multiples – small/mid vs. large/global buyouts[2]

2015–September 2025



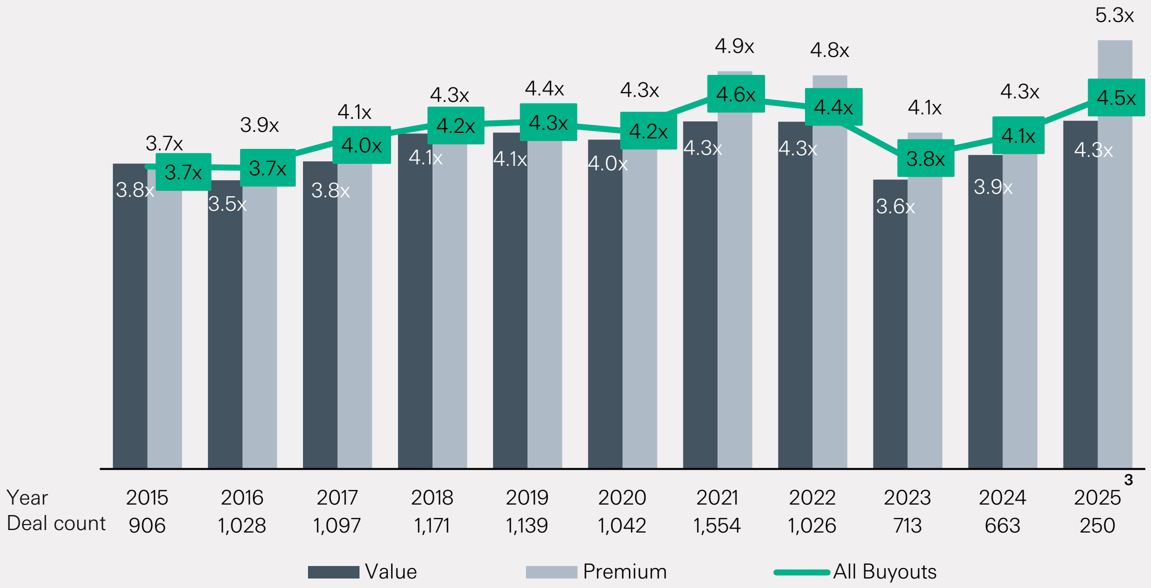
1. Source: SPI by StepStone, as of September 30, 2025. Includes 9,978 Value Industry Buyout investments (Consumer Staples, Energy, Materials, Industrials, Utilities, and Communication Services) and 11,470 Premium Industry Buyout investments (Consumer Discretionary, Financials, Healthcare, and Information Technology) made between 2000 and 3Q 2025. StepStone acquires proprietary operating metrics through investment due diligence and portfolio monitoring. 2. Source: SPI by StepStone, as of September 30, 2025. Includes 16,372 Small & Middle Market Buyout investments (less than US$500 million of TEV) and 5,573 Large & Global Market Buyout investments (at least US$500 million of TEV) made between 2000 and 3Q 2025. StepStone acquires proprietary operating metrics through investment due diligence and portfolio monitoring. 3Q sample size does not lend to conclusive data around narrower cuts, but the general trend around purchase multiples being higher in premium industries and larger deals continue to hold. 3. 2025 is representative of YTD 3Q 2025.

Buyout leverage multiples rising as well

We are seeing an increase in leverage multiples primarily in larger, more cycle-resilient deals.

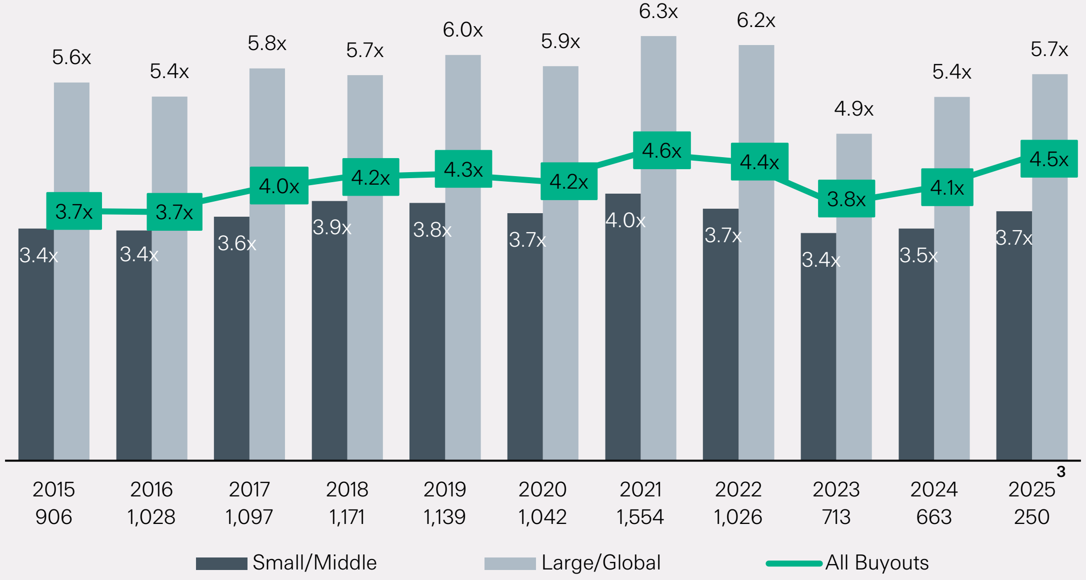
Leverage multiples – value vs. premium industry buyouts[1]

2015–September 2025



Leverage multiples – small/mid vs. large/global buyouts[2]

2015–September 2025

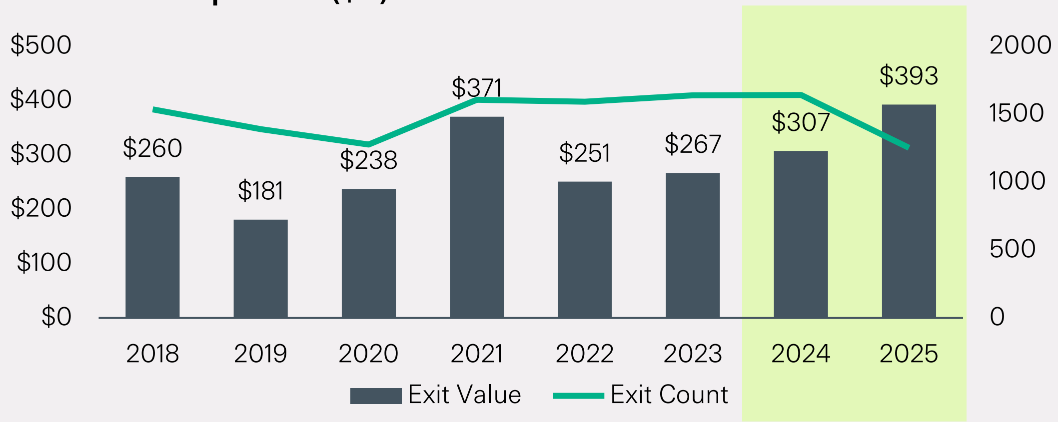


1. Source: SPI by StepStone, as of September 30, 2025. Includes 8,975 Value Industry Buyout investments (Consumer Staples, Energy, Materials, Industrials, Utilities, and Communication Services) and 9,916 Premium Industry Buyout investments (Consumer Discretionary, Financials, Healthcare, and Information Technology) made between 2000 and 3Q 2025. StepStone acquires proprietary operating metrics through investment due diligence and portfolio monitoring. 2. Source: SPI by StepStone, as of September 30, 2025. Includes 14,220 Small & Middle Market Buyout investments (less than US$500 million of TEV) and 5,082 Large & Global Market Buyout investments (at least US$500 million of TEV) made between 2000 and 3Q 2025. StepStone acquires proprietary operating metrics through investment due diligence and portfolio monitoring. 3Q sample size does not lend to conclusive data around narrower cuts, but the general trend around leverage multiples being higher in premium industries and larger deals continue to hold. 3. 2025 is representative of YTD 3Q 2025.

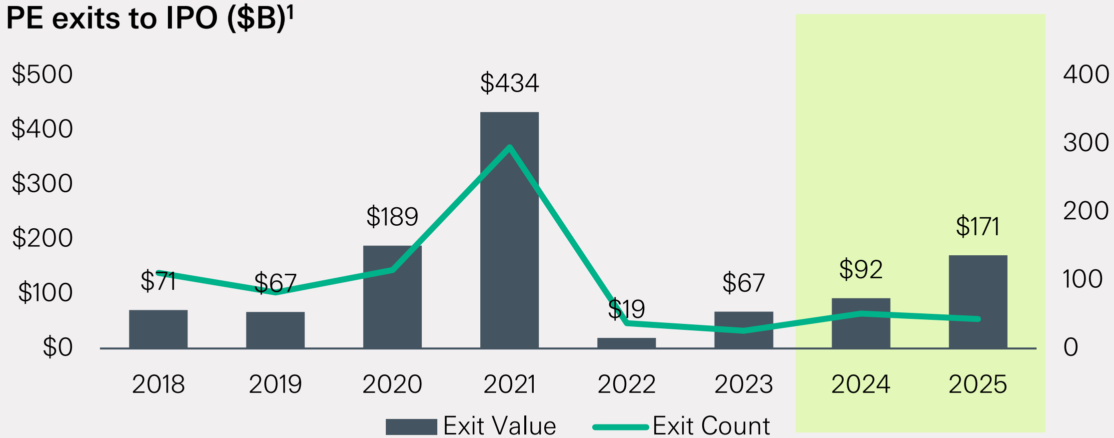
2025 exit volumes up year over year

Exit momentum continued in 2025, rebounding in Q4 as tariff-related uncertainty eased

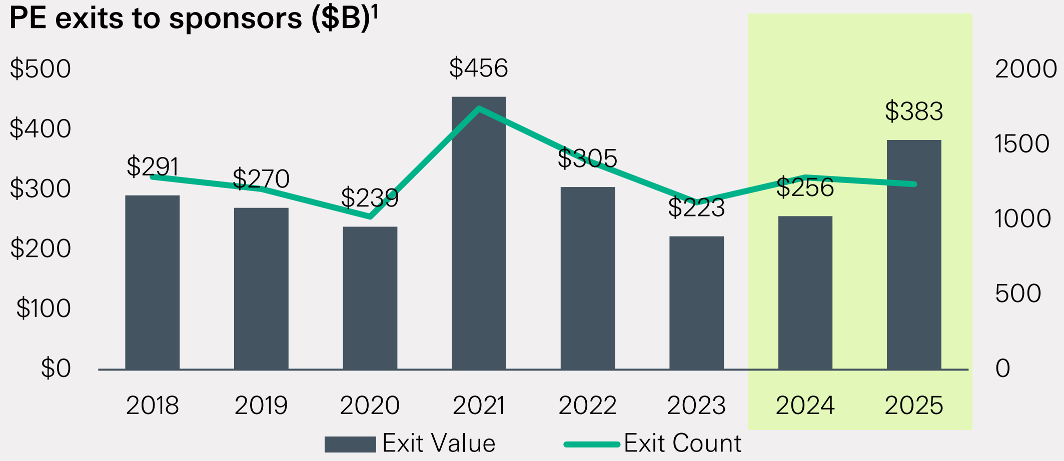
PE exits to corporates ($B)[1]



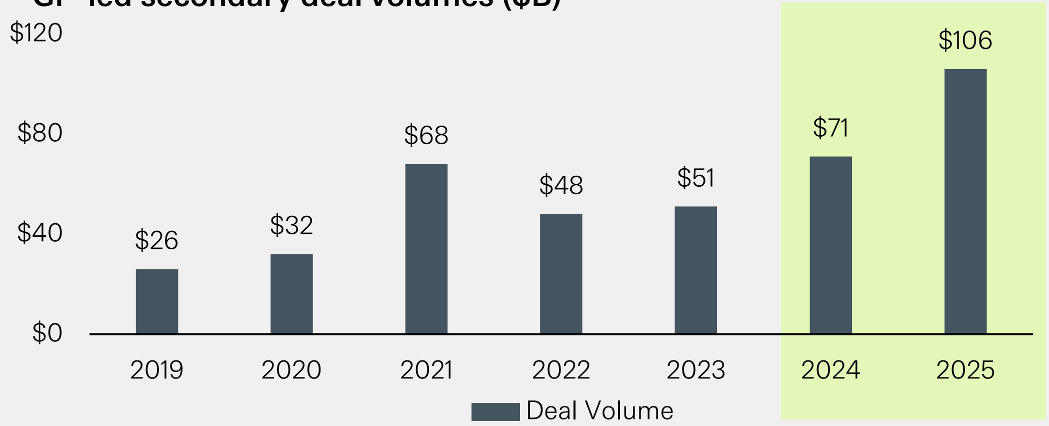
PE exits to IPO ($B)[1]



PE exits to sponsors ($B)[1]



GP-led secondary deal volumes ($B)[2]



1. Source: PitchBook as of December 31, 2025 – PE-Backed Exits, United States and Europe.
2. Source: Evercore as of January 2026 – 2025 Secondary Market Highlights.

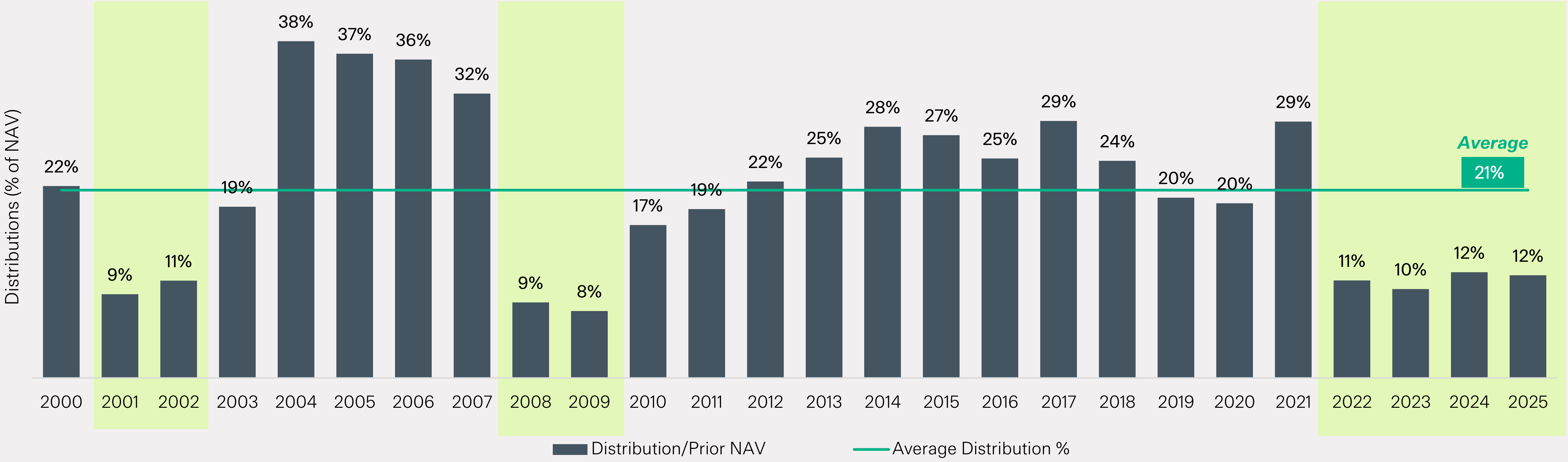
Private equity distributions over time

Global PE distributions were 12% of NAV through 2025, and buyout-only distributions were 13%. Despite positive momentum, distributions as a % of NAV remain meaningfully below the long-term average of 21%.

Given significant NAV growth in recent years, it will likely take more substantial distribution recovery in absolute dollars to catch up to long term average.

Private equity distributions since 2000

2000 – 2025



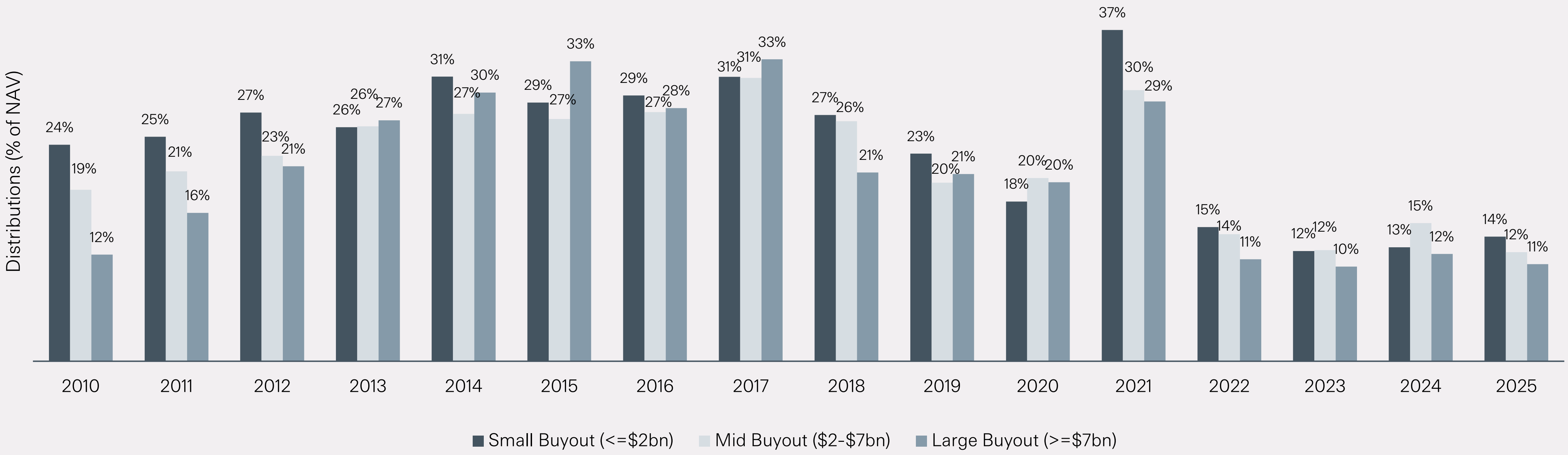
Source: SPI by StepStone. Full dataset and average annual distributions calculation covers from Q4 1999 to Q4 2025. Data set includes 3,510 Global Private Equity funds.
Note: Distributions % of NAV calculated as annual global private equity distributions as a percentage of total NAV from the prior year. YTD distributions are divided by the NAV at the end of the prior year. Distributions include Buyouts, VC and Growth.

Buyout distributions over time

In 10 of the last 15 vintages, small buyout funds have distributed the highest % of prior year NAV, often during more challenging periods to exit. Smaller companies have more avenues to exit and are less dependent on IPO markets.

Buyout distributions by fund size

2010 – 2025

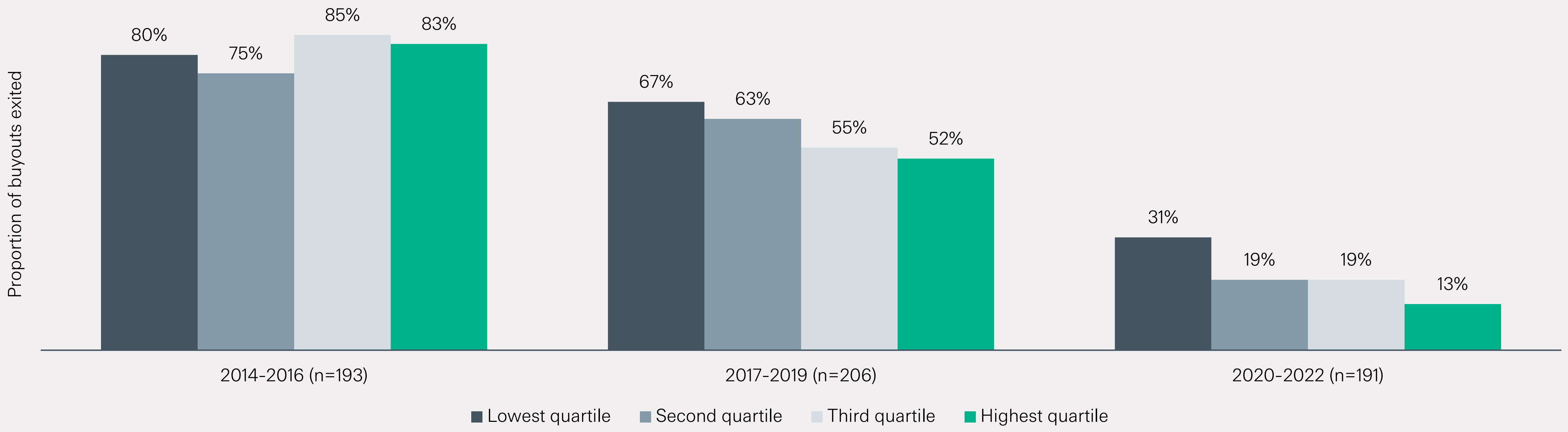


Source: SPI by StepStone. Full dataset and average annual distributions calculation covers from Q4 1999 to Q4 2025. Data set includes 1,571 Global Private Equity funds.
Note: Distributions % of NAV calculated as annual global private equity distributions as a percentage of total NAV from the prior year. YTD distributions are divided by the NAV at the end of the prior year.

Exit pacing slows for high-multiple buyouts across recent cycles

Elevated entry multiples have led in part to the slowdown in exit activity. For vintages after 2016, the highest priced buyout deals appear to be the slowest to exit.

Buyout exit rates by EV/EBITDA multiple quartile at entry



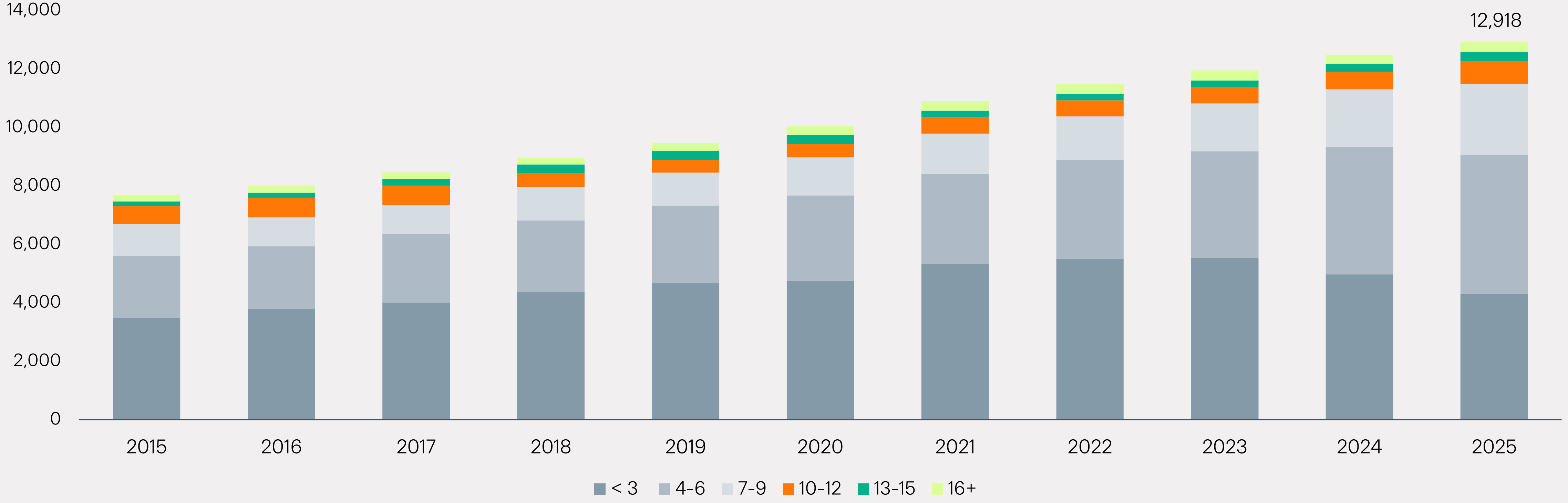
Source: Pitchbook Q3 Quantitative Perspectives Report 2025, Geography: US.
Note: Data is as of June 30, 2025. N represents the number of deals in cohort with entry multiple tracked.

Growing number of aging companies

As of 2025, ~60% of PE companies have reached optimal (or past optimal) hold periods (4 yrs +).

US PE-backed company count by age of investment (years)[1]

Count by investment duration



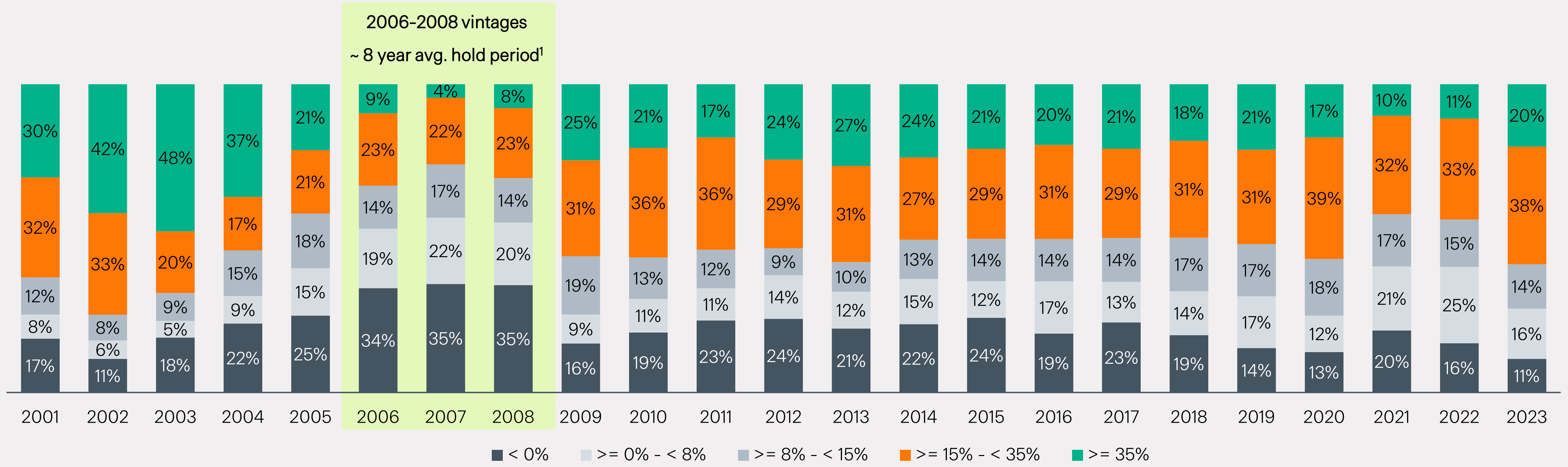
1. Source: Pitchbook, PE Middle Market Report Data are based on availability as of September 30, 2025.

Pressure on returns

Select deal vintages are under pressure after a decade of shorter holds in an expansionary cycle. GPs with appropriate vintage year diversification in their funds will be better positioned.

IRR distribution by invested capital – buyout deals

2001 - 2023

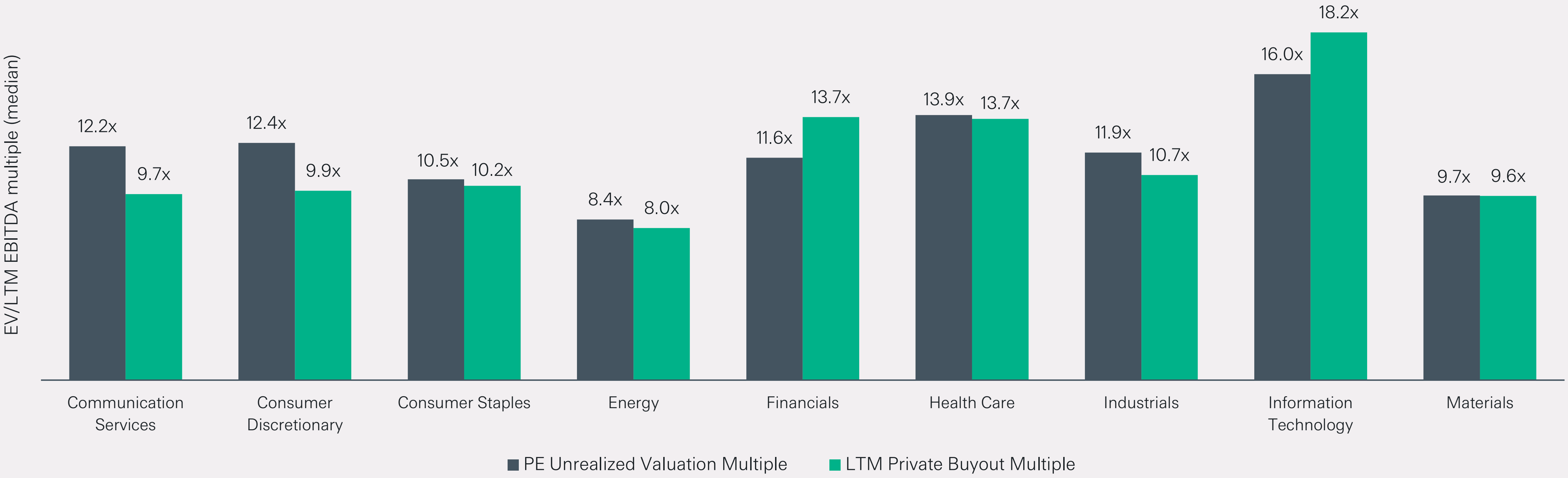


Source: SPI by StepStone, as of September 30, 2025, all buyouts (unrealized + realized). **Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses.** The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented 1. Shaded area is the hold period for realized buyout deals by fund vintage weighted by deal level invested capital.

Comparing unrealized marks to recent transaction multiples

In several GICS sectors, current private marks are higher than LTM private transactions. There continues to be a gap between buyer and seller expectations, and some portfolio companies will need to grow into their multiples or step down to clear the market.

Unrealized vs. realized PE valuation multiples (EV/LTM EBITDA)

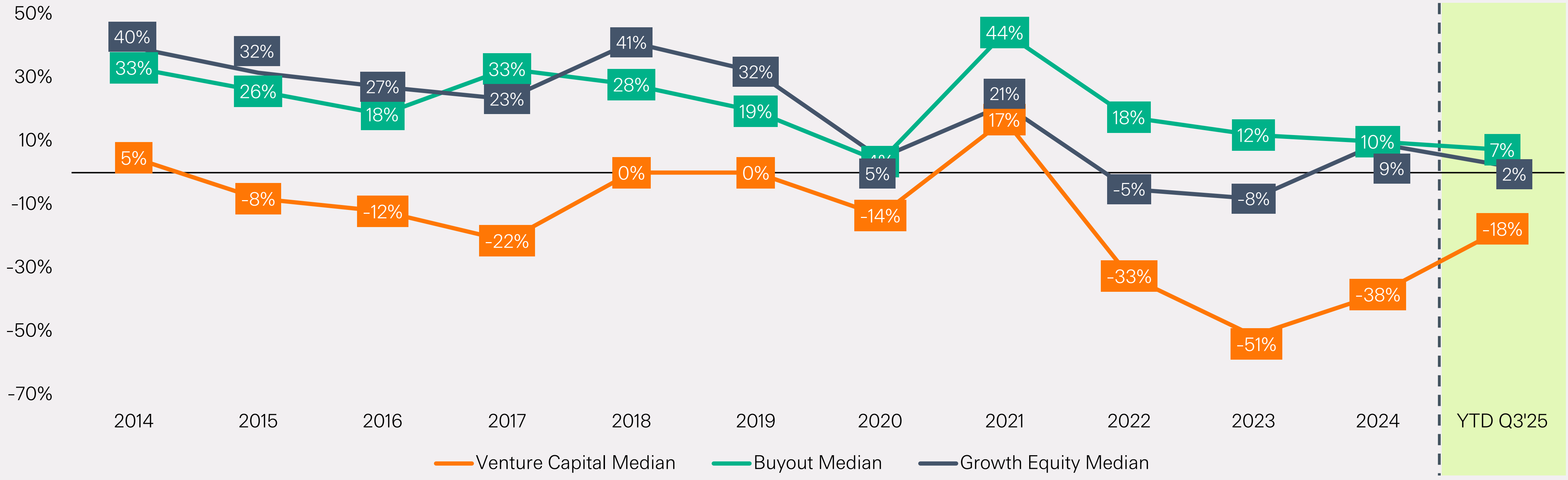


Source: SPI by StepStone (PE median and buyout purchase multiples) , as of June 30, 2025.

PE buyouts continue to exit at slight premium to marks

The average buyout deal has more consistently exited at a premium over the last 5 quarter mark, although VC exits are beginning to exit closer to their last 5 quarter marks.

Exit valuation premium/discount medians in VC/Growth Equity and Buyouts[1,2,3]



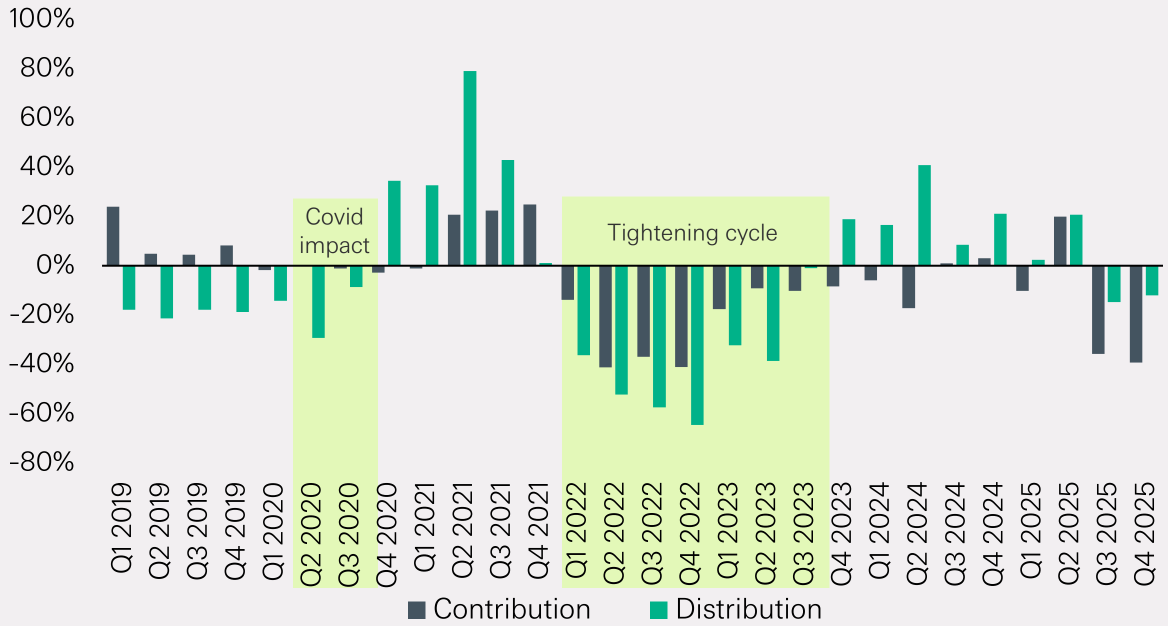
Source: StepStone Portfolio Analytics & Reporting as of September 30, 2025.

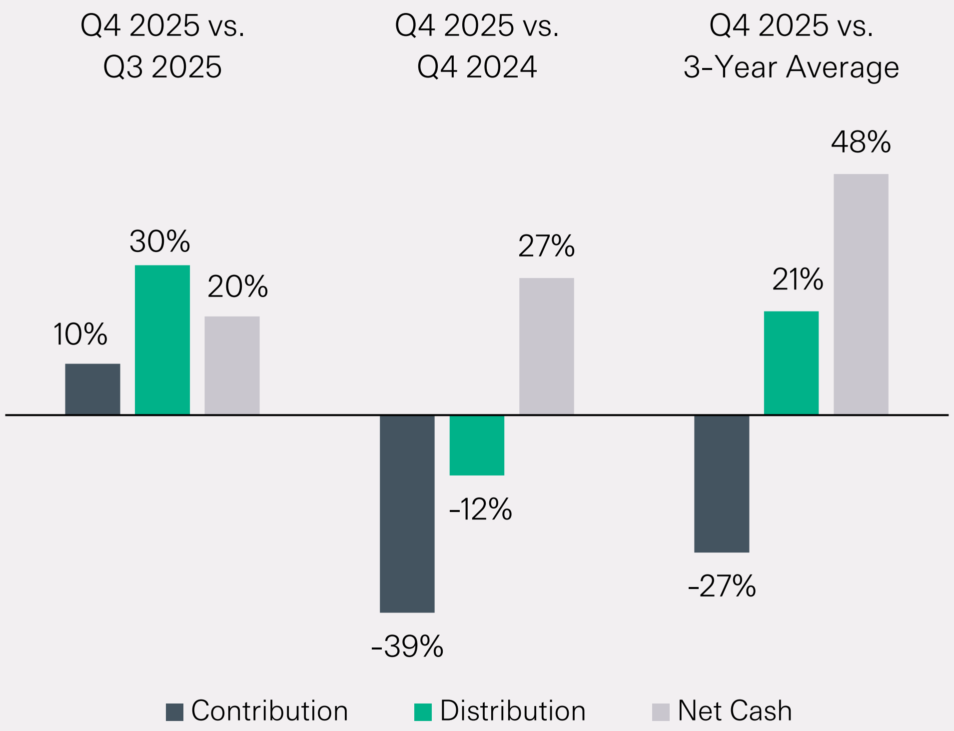
1. The realization date for each deal is the first date where percent realized exceeds or equals 80%.
2. Percent realized is defined as Realized Proceeds / (Realized Proceeds + Fair Market Value).
3. Historical figures are subject to change as deals are added to the universe. Previously realized deals are also subject to removal per internal data quality standards. These standards apply to data for every deal prior to and post realization date.

Private equity cashflow trends

Contribution activity was down in 2025, which does not reflect the increase in new deal activity in 2H-2025 given use of capital call facilities. Distributions are improving, but will take time to recover to normalized levels given growth in NAV.

% change in YoY cashflow activity





Past performance is not indicative of future results. Actual performance may vary.

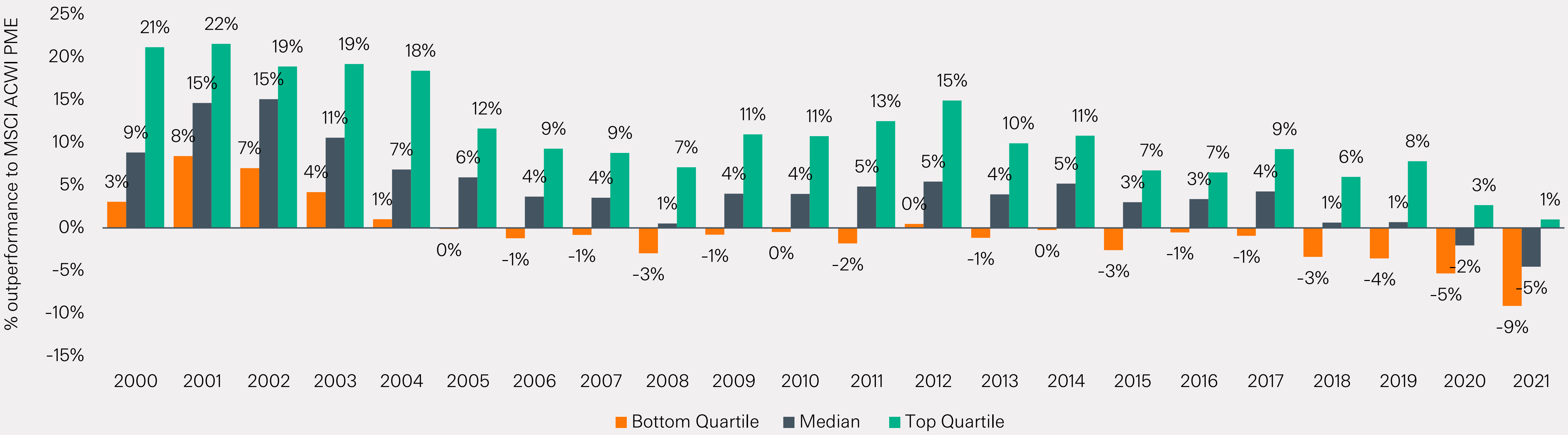
Source: SPI by StepStone; SPAR data is updated continuously; values are subject to change. SPI Reporting is StepStone's proprietary portfolio monitoring dashboard. Market capture measures the relative performance of an investment manager or managers relative to an index. Cash Flow Change is calculated using the ratio of cash flows as the annualized percentage of prior period NAV. Data include Buyouts, VC and Growth.

Public vs private equity performance

Private equity's long-term outperformance persists

Seasoned buyout vintages have consistently outperformed the MSCI ACWI over time. However, as the spread to public markets has narrowed over the past 15 years, disciplined manager selection has become increasingly important to improve the likelihood of outperforming the public markets.

Direct alpha of median and top quartile private equity funds to public market[1]

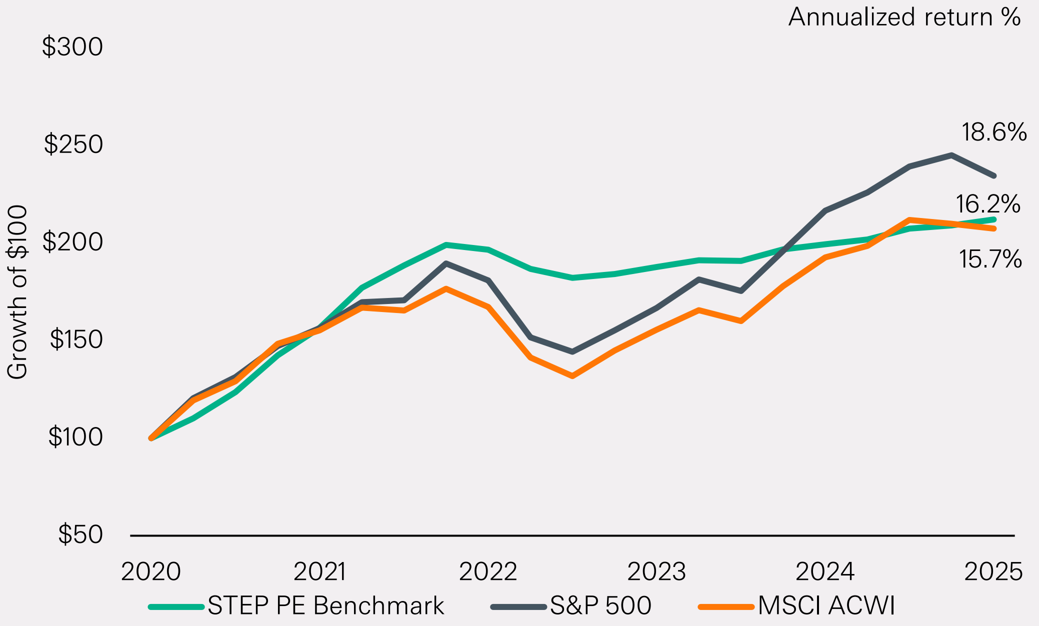


Source: SPI. Benchmarks all buyout vintages 2000-2022 compared to MSCI ACWI, as of September 30, 2025. StepStone Analysis. Direct Alpha is an annualized excess return, describing the relative performance of the private market investment to the stated index as of the measurement date. The calculation is a dollar-weighted return, based on the series of fund cash flows and the residual value, discounted to a single point in time using the respective index returns.

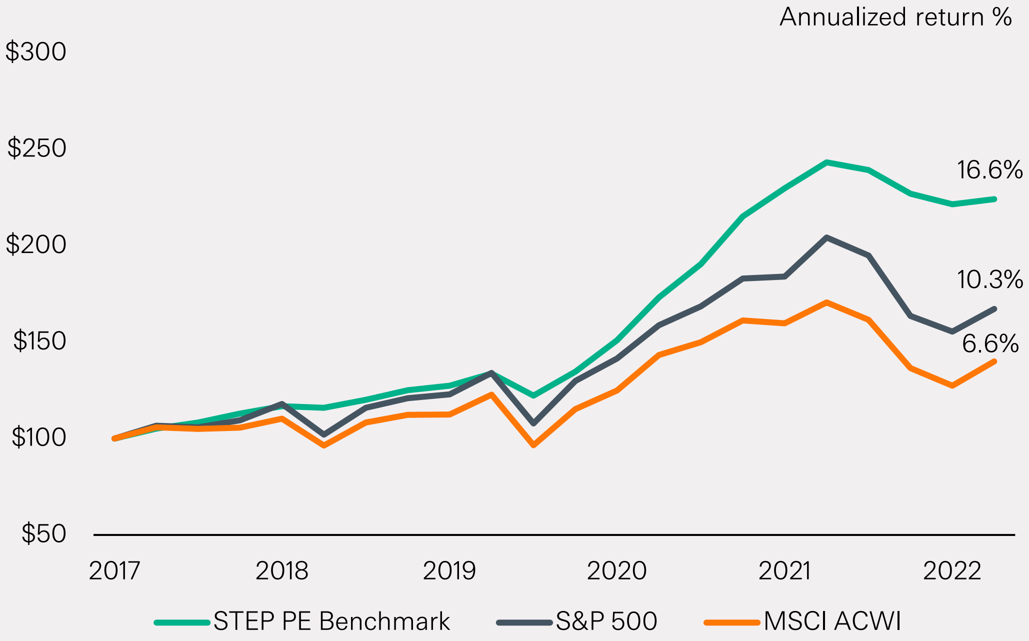
Shorter-term comparisons can be problematic...

Short-term private-to-public performance comparisons can be less reliable, as they are often driven by greater volatility of public markets

5 yr return in strong public market environment



5 yr return in weak public market environment

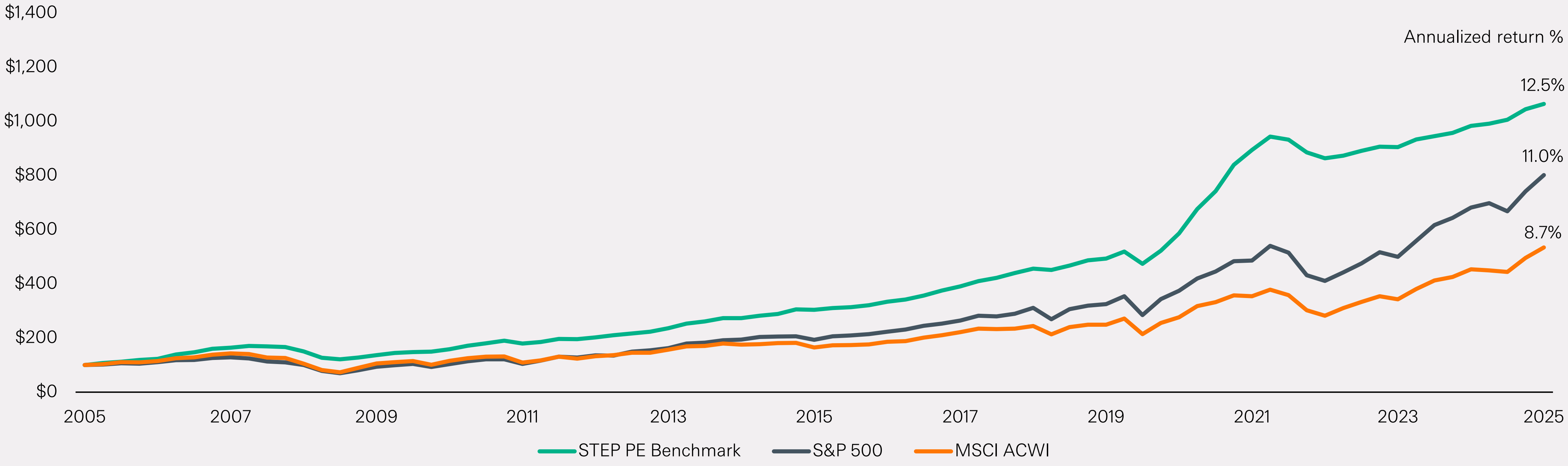


Source: SPI by StepStone. Full dataset and cumulative return calculation covers from March 2020 to March 2025.

... But staying the course with PE pays off over the long term

Over the past 20 years, private equity has delivered an annualized return of 12.5%, outperforming the MSCI ACWI and S&P 500 by 380 bps and 150 bps, respectively. Market-timing in PE has rarely been successful for LPs.

STEP Private Equity Benchmark
September 2005 – September 2025



Source: SPI by StepStone. Full dataset and cumulative return calculation covers from September 2005 to September 2025.

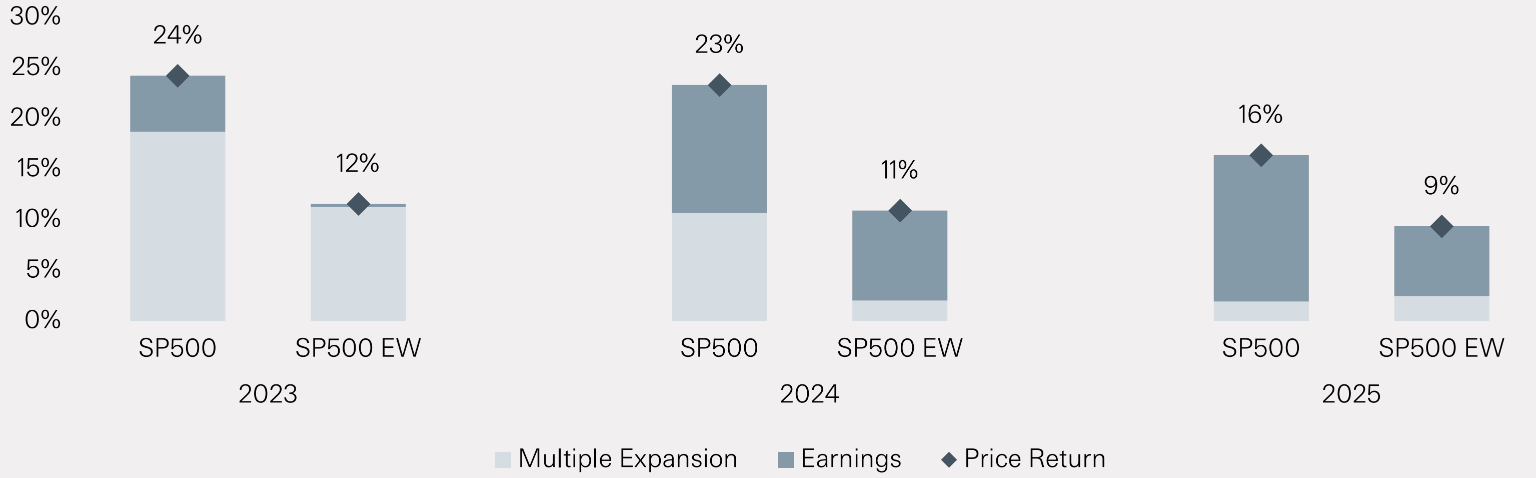
Public market backdrop

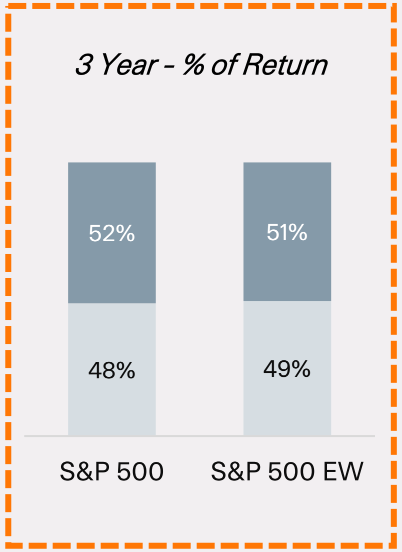
Amidst a complex market environment in Q4 2025, marked by a government shutdown, a 50 bps interest rate cut, and valuation concerns, the S&P 500 returned 2.7%

2025 was an earning story in public markets. The past three years leaned equally on earnings and multiple expansion

Drivers of public returns – earnings vs multiples[1]

Annual return



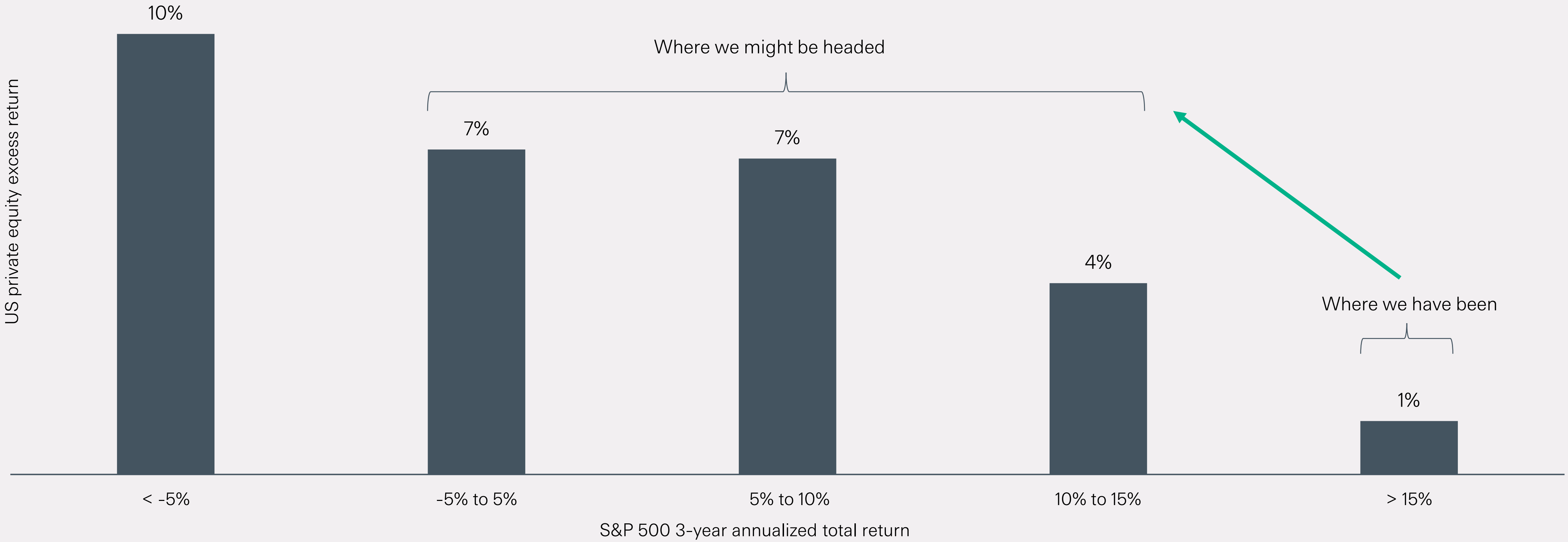


1. Source: CapIQ as of January 2026

2. Source: SPI by StepStone as of January 2026. 2025 is Q1-Q3. Sample size of 150 asset, PE Buyouts only, S&P 500 sector indices for public benchmarks . **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.** The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

PE outperformance in various public market environments

PE outperformance vs. public market return



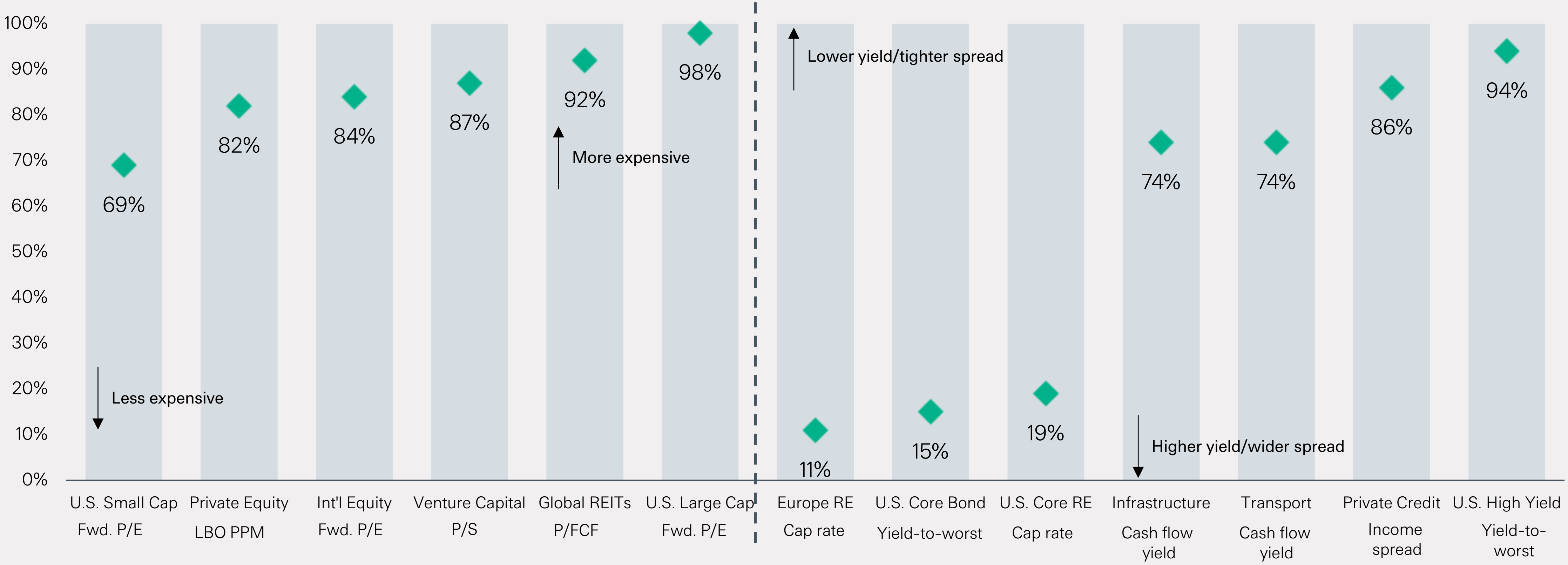
Source: KKR.

Data as of March 31, 2024. Cambridge Associates, Pitchbook, KKR Global Macro & Asset Allocation analysis. Data reflects actual pooled horizon return, net of fees, expenses and carried interest. For funds formed between 1986-2023. The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Large cap U.S. public stocks are trading at expensive levels

Asset class valuations[1,2,3]

Percentile rank relative to valuations since December 2009*



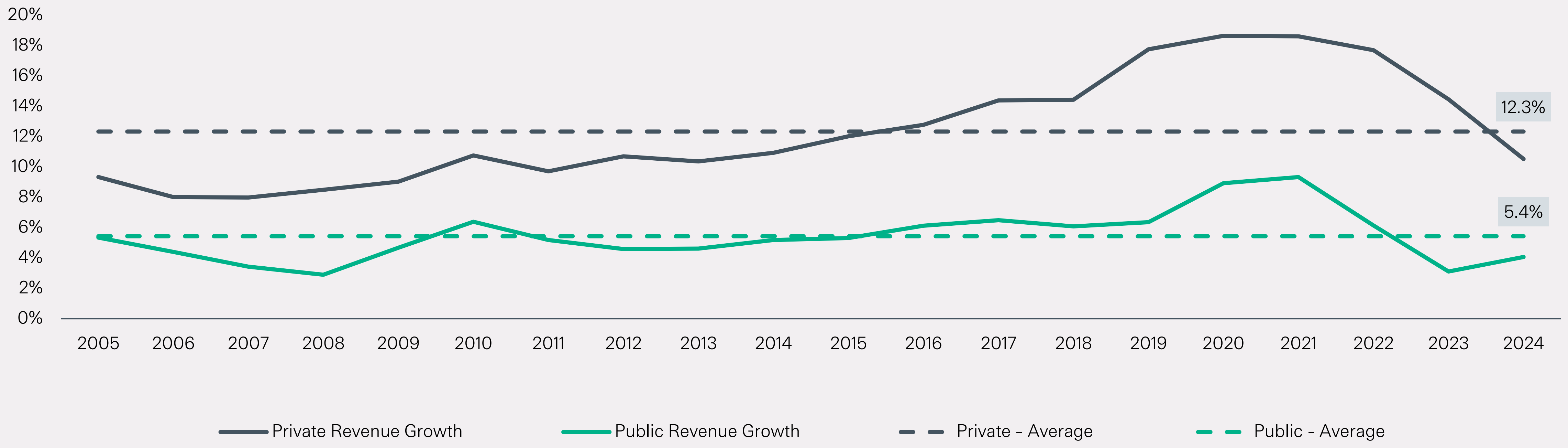
1. Source: Burgiss, Cliffwater, FactSet, Jay Ritter – University of Florida, J.P. Morgan Markets, MSCI, NCREIF, Pitchbook.
2. All asset class valuation measures are quarterly and are inclusive of the latest available data, except VC, which is annual.
* Global REITs average valuation is since 3/31/2010.
3. Based on 2025 data available as of August 2025.

Private companies are still growing faster than publics

Private assets across different vintages have seen stronger revenue growth compared to their public peers

Annualized revenue growth rate

By investment year

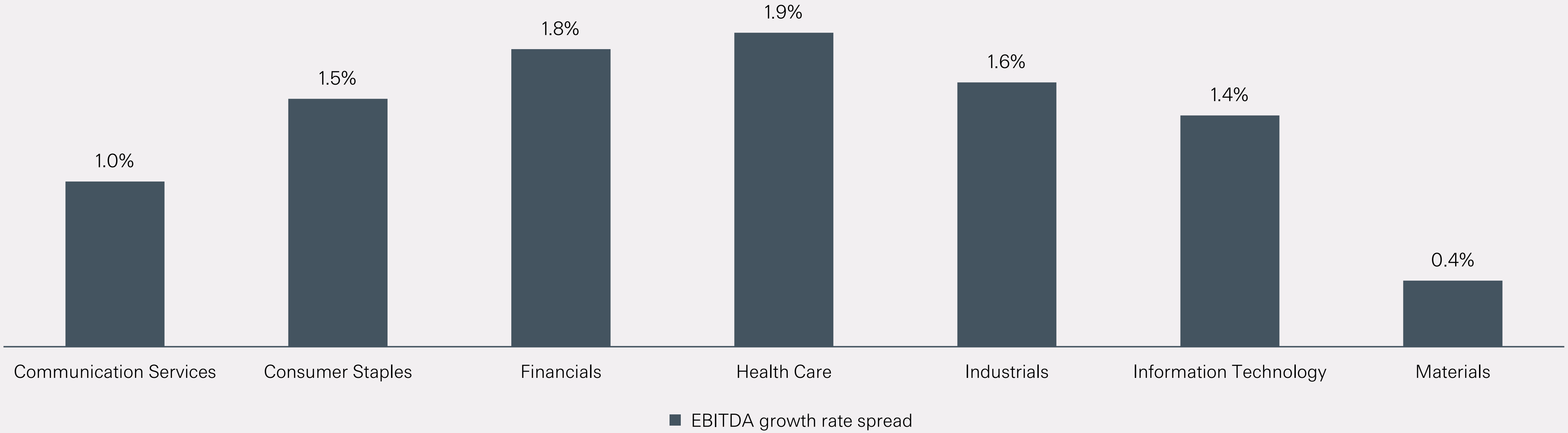


Source: StepStone analysis, S&P Capital IQ and SPI Reporting, Research as of March 2025. **Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses.** The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

Private companies are still growing faster than publics

Private assets across different vintages have also seen stronger EBITDA growth compared to their public peers

Private vs. public quarterly EBITDA growth differential by sector[1]
By investment year



Source: StepStone analysis, S&P Capital IQ, and SPI Reporting Research as of March 2025. 1. Public comparables (based on GICS) are measured over the same period as the respective private company's investment holding period. Private investments sourced from SPI: USD based Buyout investments from 2004-2024. **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.** The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

AI as a lever for potential portfolio outperformance

We believe that PE firms that systemically partner with software and AI vendors may see greater returns

Role of PE

- AI may be a source of outperformance for many PE-backed portfolio companies
- AI-enabled business models are transforming industries and may create compelling investment opportunities
- PE firms sit at the center of enterprise technology deployment

Potential Impacts

- Portfolio-wide **cost reduction** and improved operating outcomes (AI automation, labor efficiency)
- **Improved KPIs** – margin improvement, revenue acceleration, speed, visibility, etc.
- AI implementation becomes a **repeatable differentiator**, not a one-off initiative
- AI may help GPs screen **more companies** and help monitor **existing investments** more efficiently

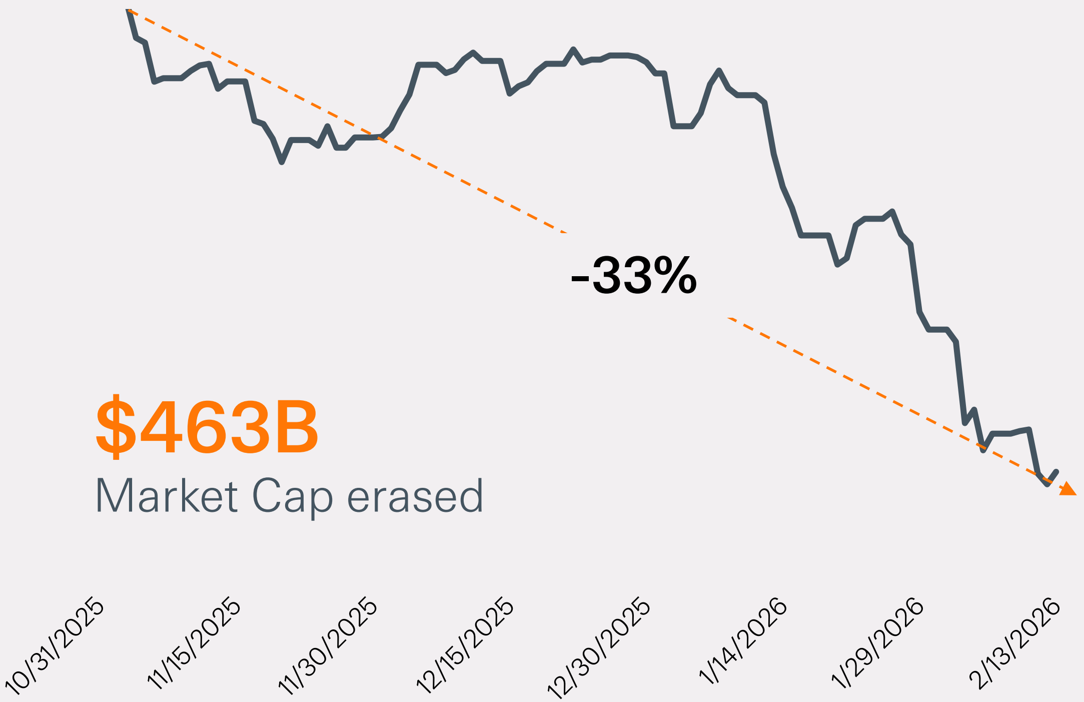
The opinions expressed herein reflect the current opinions of Stepstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

AI disruption in software

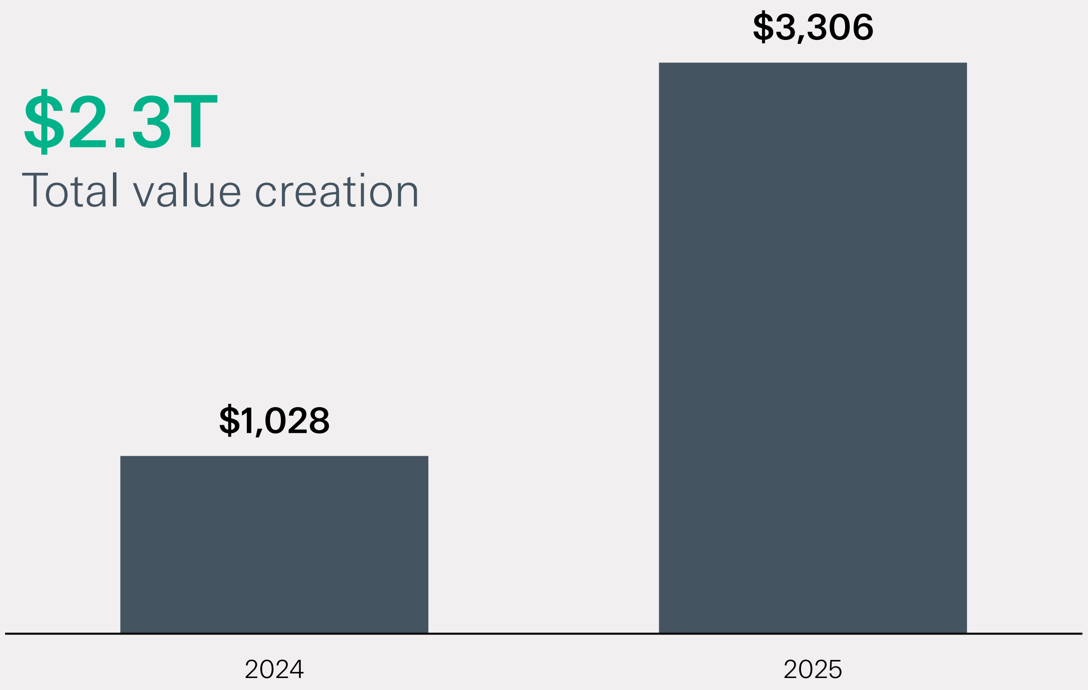
Profit pools shift from slow to fast AI adopters

A selloff in software and services stocks **erased ~$830 billion in market value** in late January / early February, driven by investor concerns over AI advancements encroaching on enterprise software models.[1]

Decline in Public SaaS Mkt. Cap (No AI Tailwinds)[2]
As of February 13, 2026



Top 20 VC-backed company valuations[3]
As of February 2026 (in USD, $M)

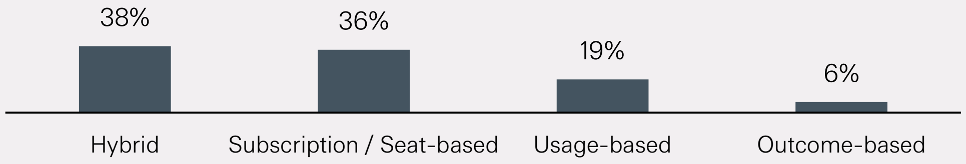


1. MLQ.ai, As of February 5, 2026. Reflective of market cap loss over a 6-day trading period from 1/31–2/5.
2. CapIQ, as of February 13, 2026
3. Pitchbook Data, StepStone Research

Enterprise AI adoption up, so software models need to adapt

Enterprise AI spend transitioning from experimentation to ROI-backed, budgeted adoption[1]

Survey: AI company Pricing Models



Vibe coding / Autonomous coding

Explosion of "citizen developers" + massive developer productivity gains

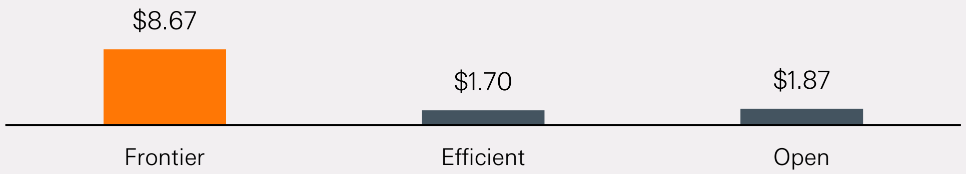
"The current generation of Grok code is training the next generation of Grok code...Soon we probably won't even bother doing coding. The AI will create the binary directly...it will bypass traditional coding as an intermediate step that probably won't be needed by the end of this year." – Elon Musk

84% of developers now use AI coding assistants regularly[2]

Consumer AI adoption now pervasive & low-cost[3]

Frontier-level intelligence is now accessible at a marginal cost approaching zero

Inference cost by capability tier (Feb 2026)[4]



Foundation model dominance & consolidation

Reinforcement learning, reasoning, and memory create a data flywheel that strengthens incumbents' lead

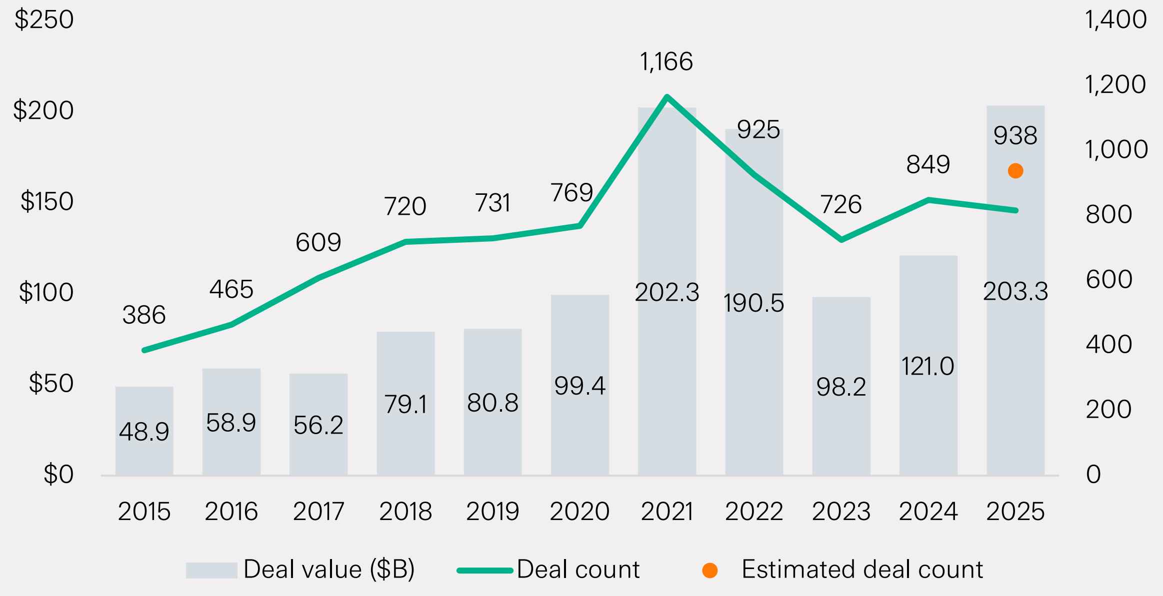
OpenAI – ChatGPT | ANTHROPIC – Claude | Google – Gemini | xAI – Grok

1. Source: ICONIQ, 2025.
2. Source: Digitally Applied, "Vibe Coding 101: Natural Language Programming Guide," November 23, 2025.
3. Source: Accel, data as of October 22, 2025.
4. Source: Inference Price Index, Feb 2026.

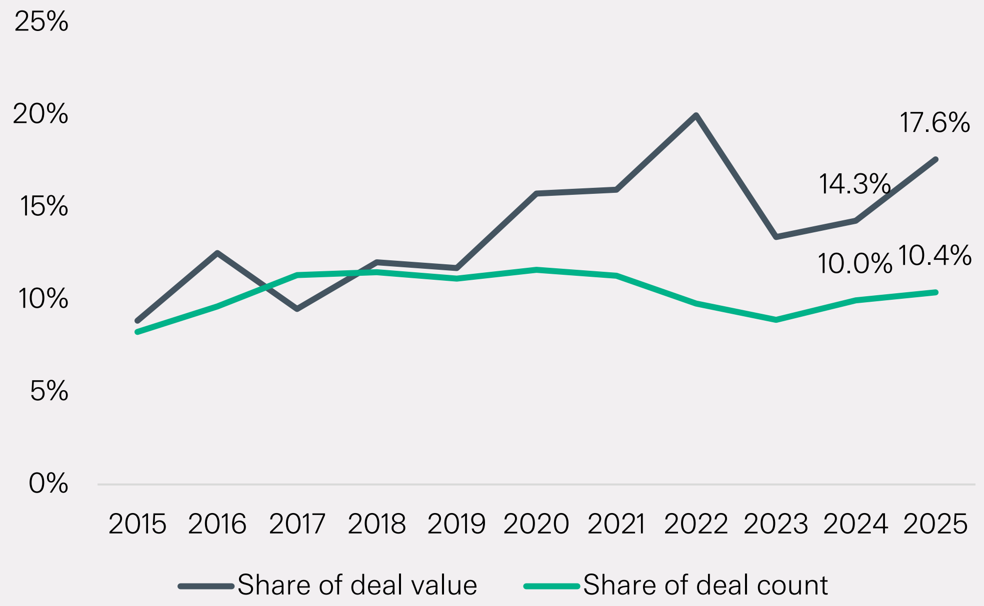
Software isn’t dead, but basis of competition shifting

Software deal activity has remained consistent, but the sector has increased its share of deal value as GPs focus primarily on vertically-integrated, mission-critical solutions that warrant higher valuations.

Software PE deal activity
$ in billions



Software PE deal activity as a share of all PE deal activity
2015 – 2025



Source: PitchBook Q1 2026 Private Equity’s Exposure to the Software Reckoning, Geography: US.
Note: Data is as of December 31, 2025.

AI changes to the competitive software landscape

A resilient software company in the AI era turns rapidly advancing models into deterministic, trusted, and scalable agentic execution—embedding AI deeply into enterprise workflows and datasets to expand value, not just automate tasks.

AI-resilient characteristics

Customer system of record
Mission-critical systems of record serve as the authoritative source of truth AI cannot bypass, embedding into customer deterministic workflows with high switching costs.

Proprietary data source
Accumulated historical data and customer context that cannot be replicated constitutes a durable advantage.

Trust/regulatory framework
Deterministic workflows, compliance, and embedded security create regulatory trust and enable safe agentic execution at scale.

AI-driven organizational agility
AI-driven technical adaptability, with leadership that distributes capabilities urgently as well as the agility to pivot through hires, tuck-ins, and rapid product iteration.

AI-exposed characteristics

User required/workflow dependent models
AI undercuts seat-based models, point solutions, and horizontal processes by reducing human users and shifting value toward agents and orchestration layers that automate workflows end-to-end.

Susceptible end markets
Sectors with high volumes of repeatable, rules-based knowledge work (e.g. customer support) show the strongest susceptibility, as agentic workflows and model advances can replace multi-step tasks and labor.

Generic large language model wrappers
Tools that simply sit on top of foundational models without proprietary data, deep workflows, or system-of-record context are structurally the most exposed category.

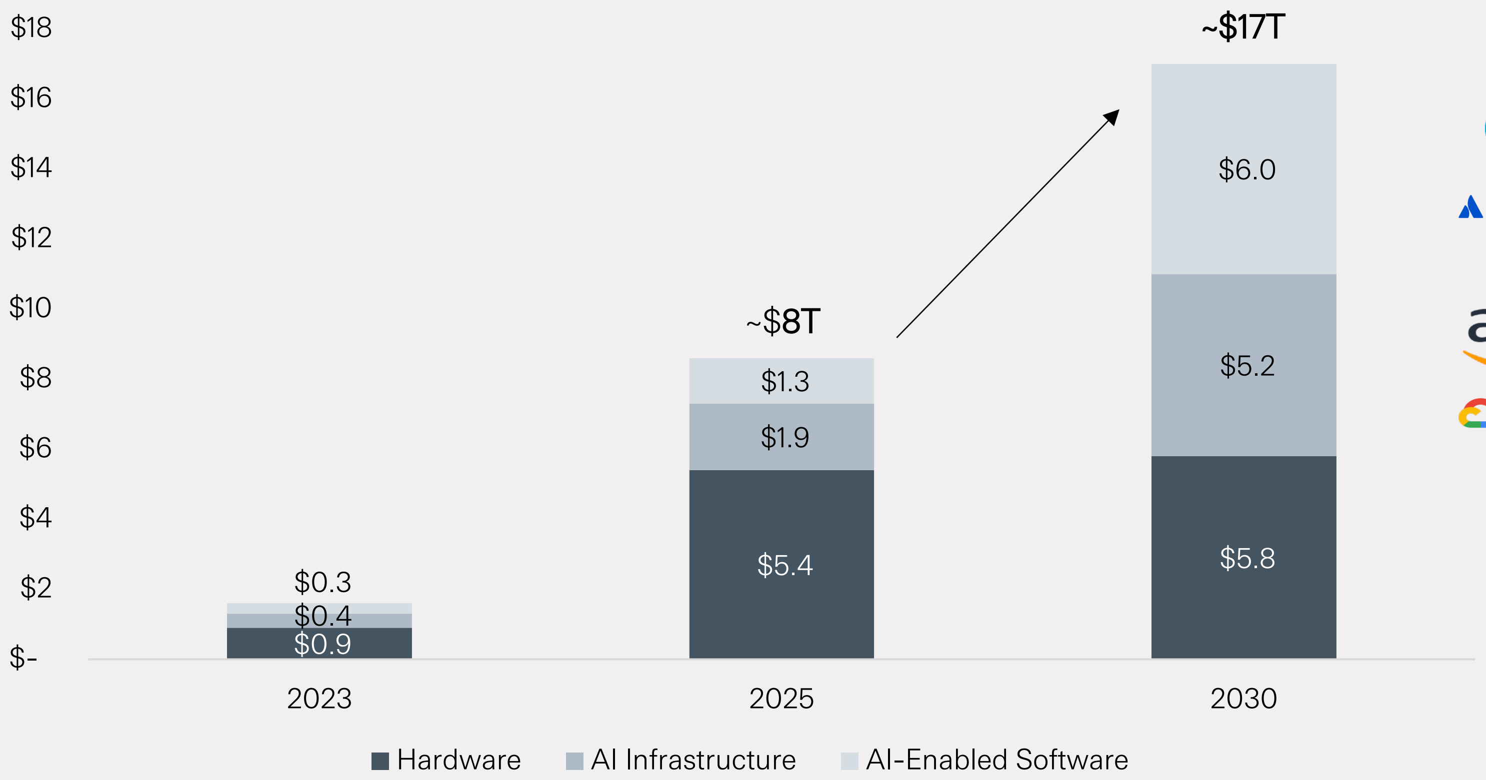
Questionable terminal values
Valuations will remain volatile as markets sell first and ask questions later, compressing multiples until companies prove AI-first, defensible, and results-based models with ROI to the customer.

Source: StepStone analysis. 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.

Enhanced opportunity set for software

Software TAM will begin merging with labor TAM, as agentic systems start performing full workflows rather than just assisting workers.

Cumulative projected AI-driven value creation
$ in trillions



Source: Q4 2025 Bain & Company market study. Figures represent cumulative market capitalization value forecasted to be created between 2023 and 2030 (e.g., 2025 values represent total projected value accumulated to that point). Value creation was estimated through a combination of (1) assessing current market performance of 'Generative AI Market Leaders' (Hardware: Nvidia, Intel, AMD, Broadcom, HP; CSPs /Infra: Microsoft, Google, Amazon, IBM, Alibaba; Software: Adobe, Salesforce, ServiceNow, Oracle, SAP) to estimate value created to-date and (2) projecting Generative AI-driven revenue through 2030 using Bain's AI market forecast to calculate incremental market capitalization gains. Vista, *"Who wins in scaled AI?"*

VC becoming a compelling hedge against AI uncertainty

Illustrative Examples

1 Compute is constrained

Limited availability of chips, power, and data-center capacity remains the primary bottleneck to scaling AI workloads, driving the AI chip market from *~$72B in 2026 to ~$1T by 2035.* Will data centers in space solve the capacity bottlenecks?

SPACEX · Crusoe · cerebras

2 Foundation models

Foundation models have demonstrated sustained dominance over open source, leveraging access to scaled compute and robust API & application ecosystems, translating to expanding gross margins and customer stickiness

xAI · OpenAI · ANTHROPIC

3 AI infrastructure

A new infrastructure layer supporting agentic AI, including identity, governance, memory, and real-time data, is expanding the AI infrastructure tooling market from *~$91B in 2026 to >$406B by 2034*

databricks · ClickHouse

4 AI applications

AI-native application companies with deep workflow integration, proprietary data, and vertical-specific use cases can thrive on top of foundation models, expanding the applications market to *~$3.6T by 2034*

Filevine · LEGORA

5 AI-enabled deep tech

AI is increasingly embedded in autonomous, physical-world systems, including robotics, defense, industrial automation, and mobility, enabling differentiated deep-tech platforms where software, data, and hardware co-evolve

ANDURIL · SARONIC

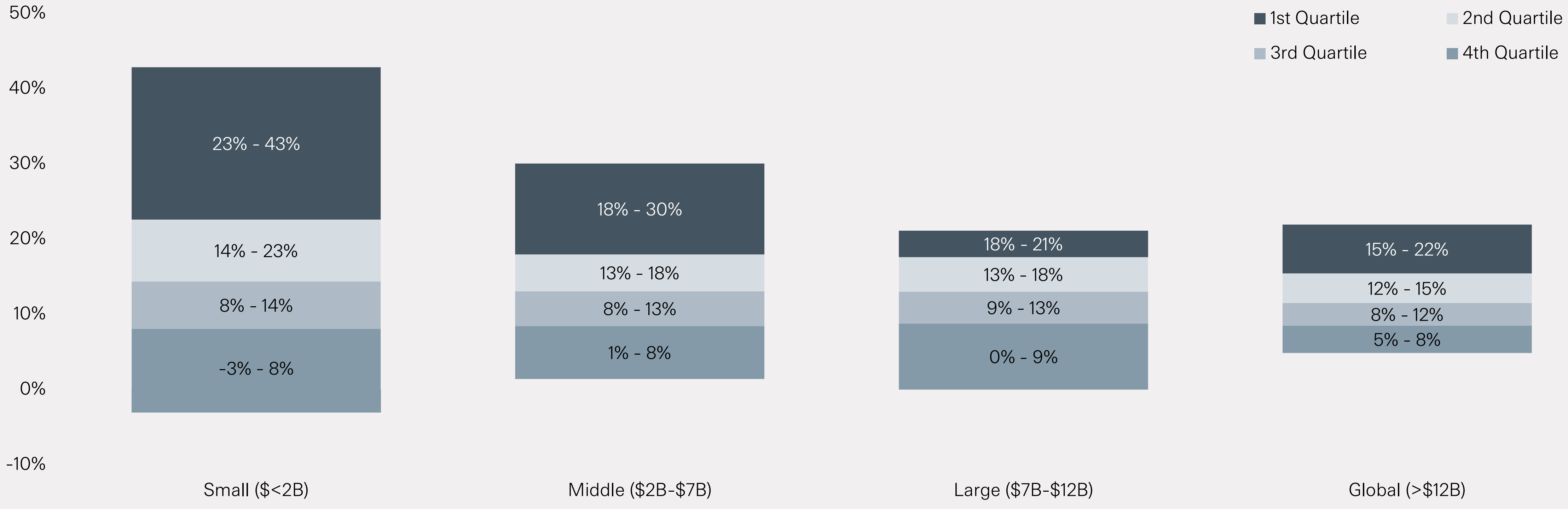
Source: Gartner, "*Worldwide AI spending forecast*". Precedence Research, "*AI Market Forecasts*". PR Newswire, "*AI Edge Computing Growth*". Industry analysis on open-source adoption and security tooling
For illustrative purposes only

Importance of manager selection

PE quartile performance by fund size

Disciplined manager selection is one of the factors that may lead to better returns in different fund sizes

Quartile analysis (2001 – 2020 Global buyout funds)



Source: SPI by StepStone, as of September 30, 2025, for buyout funds with vintages from 2001 – 2020.
Past performance is not indicative of future results. Actual performance may vary.

Buyout performance persistence came down, but first and bottom quartiles remain stickier

Importance of diligence at re-up remains critical, and active PE portfolio management is needed to drive long term outperformance

		Current fund quartile				Average current fund		
		1	2	3	4	IRR	MOIC	PME
Previous fund quartile at fund end	1	**35.4%**	23.6%	25.0%	16.0%	17.2%	2.00x	1.29
	2	22.8%	23.4%	34.5%	19.3%	15.3%	1.88x	1.18
	3	20.3%	30.4%	28.3%	21.0%	13.1%	1.70x	1.11
	4	13.8%	21.3%	26.3%	**38.8%**	8.9%	1.46x	0.97

Source: Harris, Jenkinson, Kaplan and Stucke (2023), “Has persistence persisted in private equity?” Journal of Corporate Finance. Based on Burgiss fund level data for US buyout funds.

Venture persistence is a bit higher, and getting the right managers pays off given the large return dispersion

Although VC has more persistence than buyout strategies, the wider gap in top/bottom quartile returns requires steady commitments and proactive sourcing

		Current fund quartile				Average current fund		
		1	2	3	4	IRR	MOIC	PME
Previous fund quartile at fund end	1	**45.1%**	23.6%	19.0%	12.2%	**35.6%**	**4.08x**	**2.22**
	2	25.5%	26.4%	31.0%	17.1%	17.2%	2.19x	1.25
	3	16.6%	32.1%	30.5%	20.9%	11.4%	1.88x	1.05
	4	10.0%	20.0%	26.0%	**44.0%**	2.6%	1.34x	0.75

Source: Harris, Jenkinson, Kaplan and Stucke (2023), “Has persistence persisted in private equity?” Journal of Corporate Finance. Based on Burgiss/MSCI fund level data for U.S. VC funds.

Fund size growth in different market environments

The median fund size increase has been 50%+ in most years since 2015, moderating slightly since 2021

While fundraising has slowed overall, some funds are receiving strong demand and increasing their fund size with swift closings, as LPs concentrate their capital with the strongest performing or established GPs

Fund size growth by vintage year (North America)

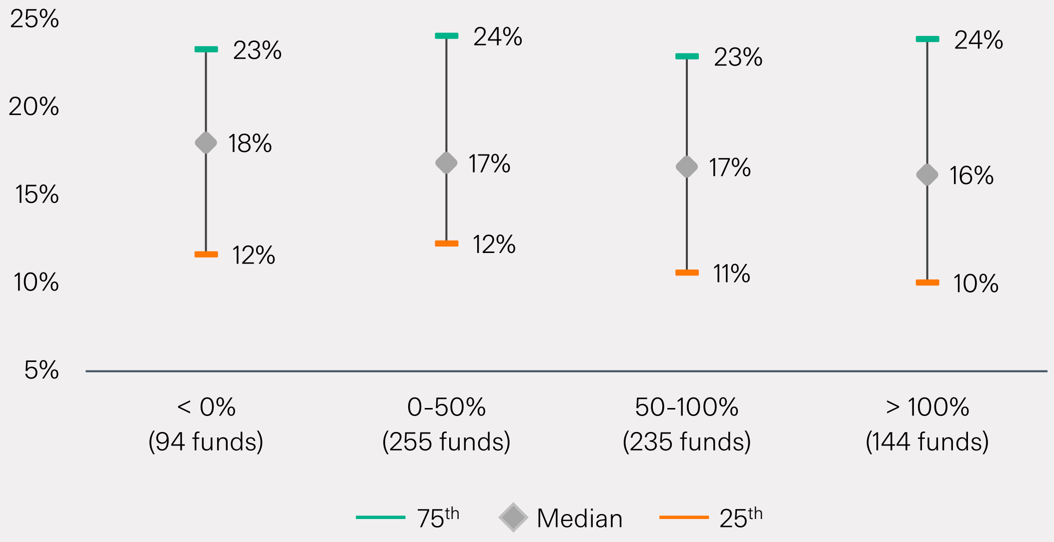
1. Source: SPI by StepStone, as of September 2024. Notes: Includes 1,177 North American buyout funds raised between 2000 and 2024. Fund size is presented based on the fund's reported currency, which is generally reported on a constant currency basis.

Fund size growth analysis – North America buyouts

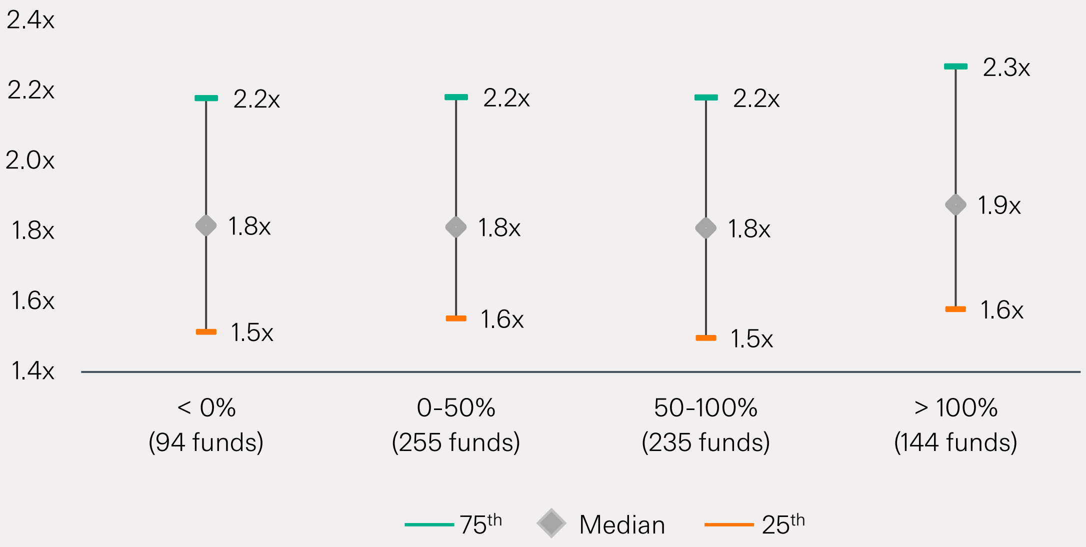
While fund size increase introduces risks, StepStone's analysis of North America buyout funds suggests no strong correlation to fund returns: TVM performance is broadly consistent, while median IRR is mildly weaker at >100% fund size growth. 40% of the >100% growth category were raised during 2005-2008, suggesting vintage year was likely a factor.

Dispersion of returns is wide across all fund size increases, suggesting fund size growth is one of many factors to consider in manager due diligence.

Net IRR by fund size growth



Net TVM by fund size growth



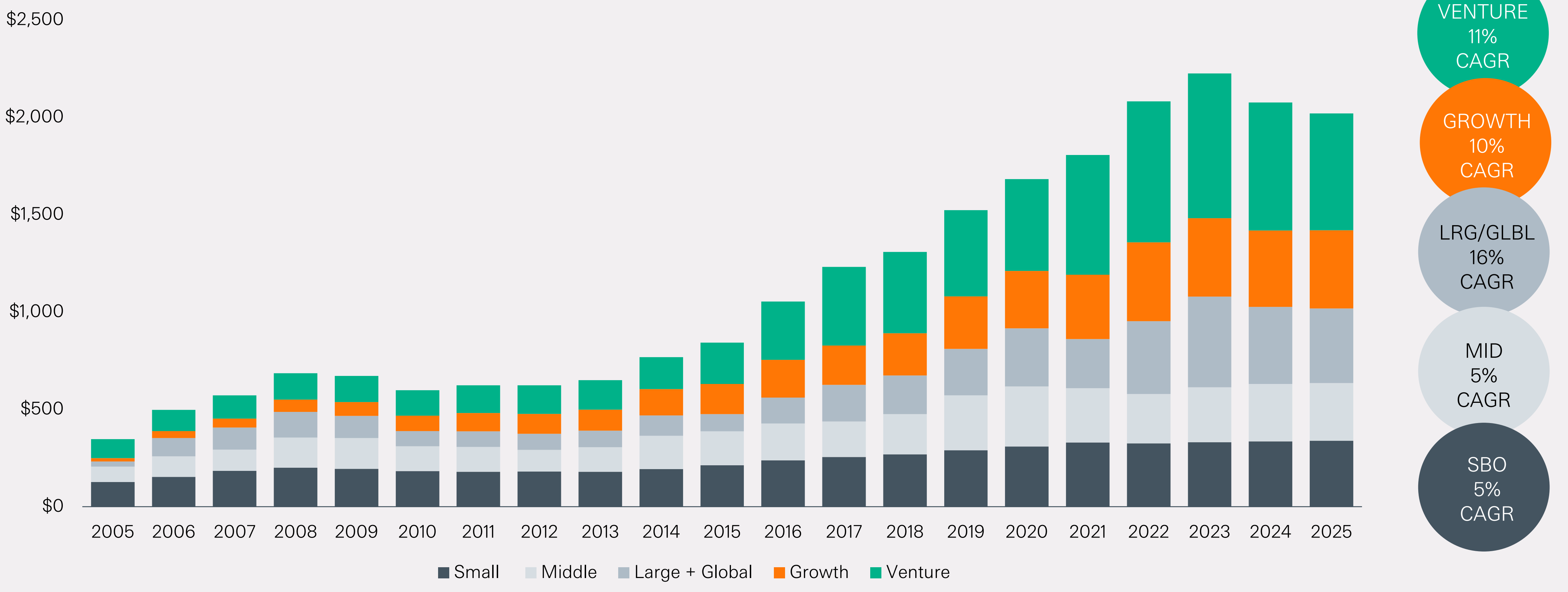
Source: SPI by StepStone, as of September 2024.
Notes: Analysis captures 728 North America buyout funds raised between 2000 and 2019. Performance is presented based on the fund's reported currency, which is generally reported on a constant currency basis. **Past performance is not indicative of future results. Actual performance may vary.**

Small buyouts: market overview

Only modest asset growth in Small-Mid Market, despite more companies to chase

Global private equity dry powder by fund size

$ in billions

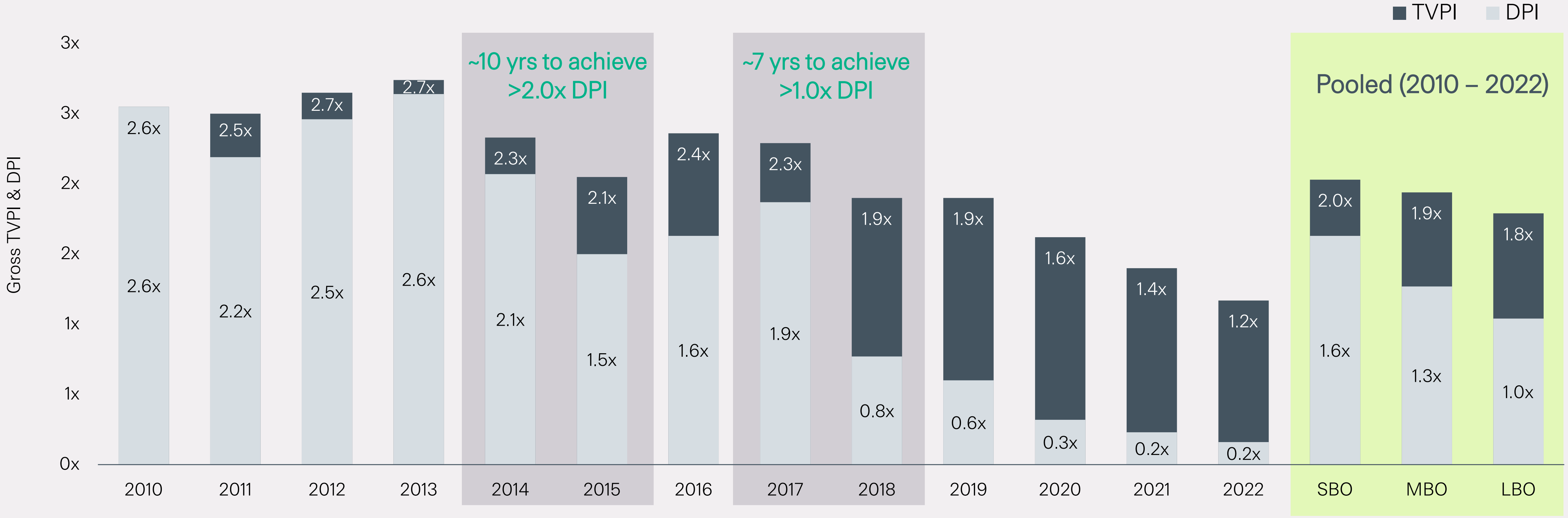


Source: as of March 2025. Preqin data is continuously updated, and historical values are subject to change.
CAGRs from 2015 to 2025.

Come for the alpha, stay for the DPI

High performing Small Buyout funds have offered consistent outperformance, with attractive distribution profile

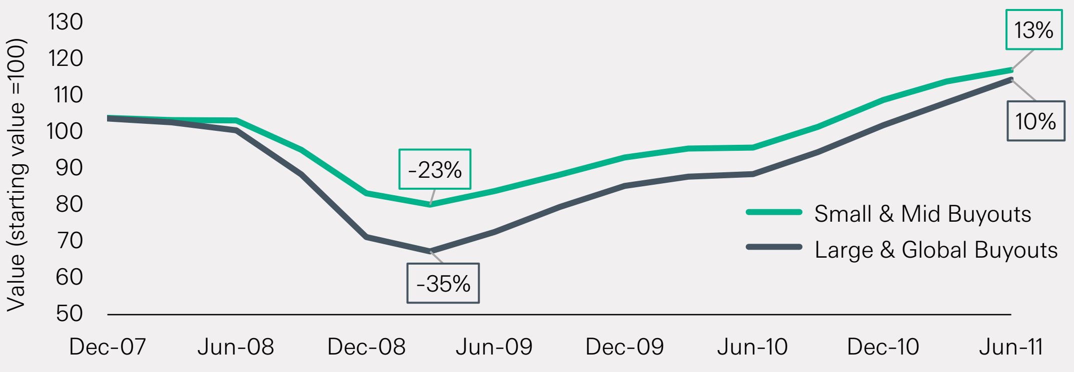
North American Small Buyout top quartile returns[1]



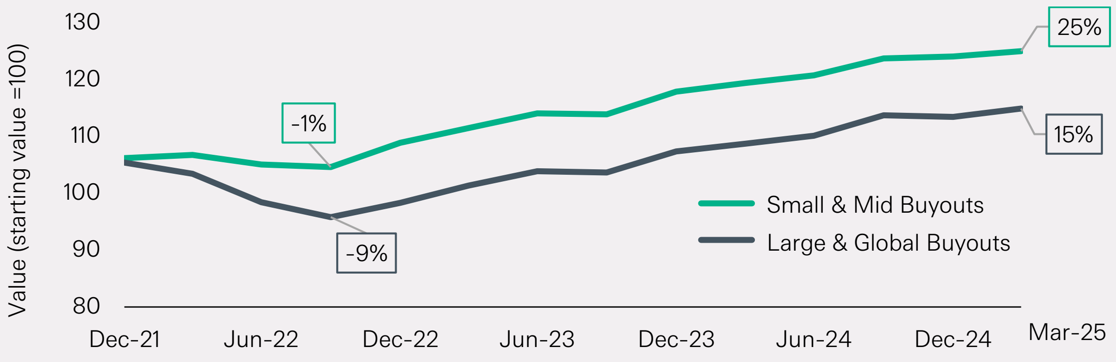
1. Source: SPI by StepStone, as of March 31, 2025, for North American buyout funds with vintages from 2010 – 2022. StepStone defines small-market funds as less than $2 billion.
Past performance is not indicative of future results and there can be no assurance that the investment will achieve comparable results or avoid substantial losses. For illustrative purposes only.
All information provided is at an industry level, no StepStone investments are included in any of the above metrics. All information provided here is based on research related to third party managers.

Resilience during and after market contractions

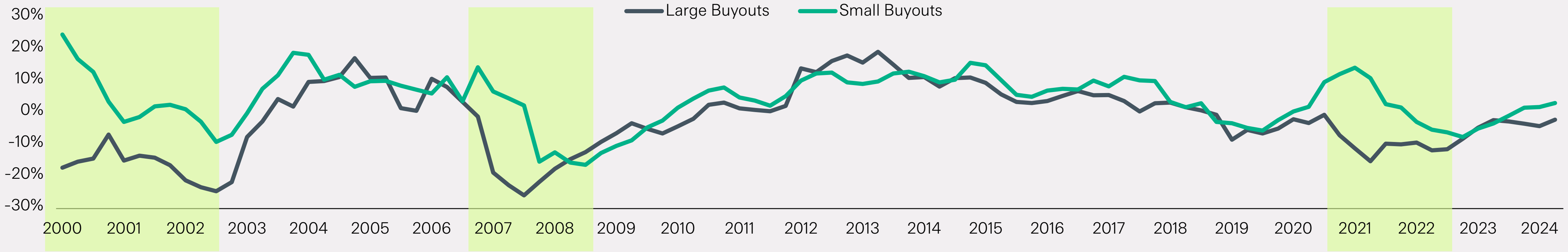
Cumulative return during GFC & recovery (Q4 2007 – Q2 2011)[1]



Cumulative return since Q4 2021[1]



4-quarter net cash flow (% of NAV)[2]

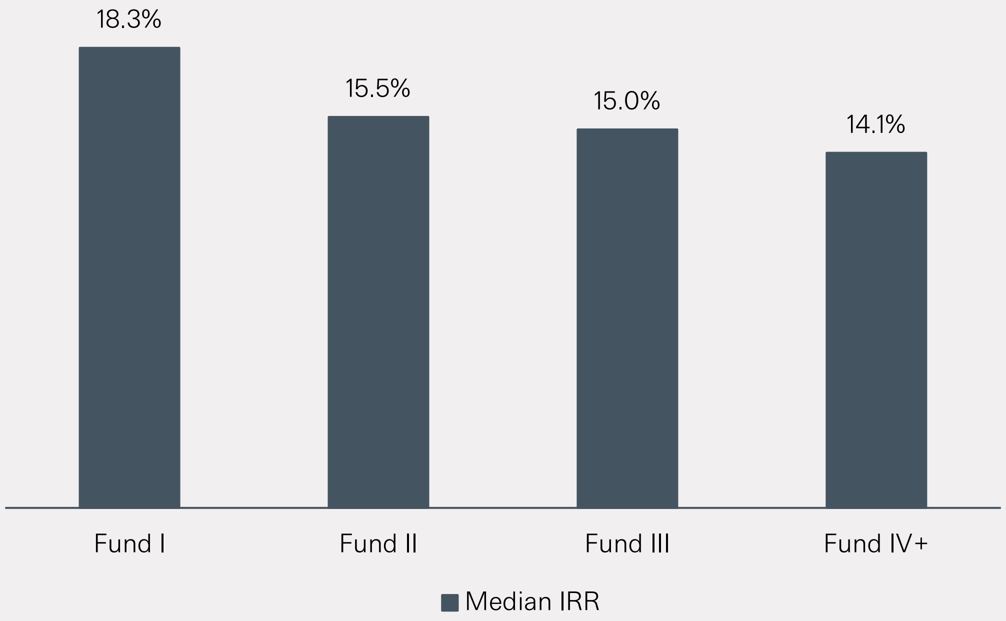


1. SPI by StepStone, as of March 31, 2025. This analysis limits the sample to funds with consecutive valuation reporting throughout the entire period to ensure that the quarterly return is not impacted by funds dropping in and out of the sample. Sample size starting Q4 2007 is 175 funds for large/global buyout and 433 funds for small/middle buyout; for Q4 2021, it is 340 funds for large/global buyout and 806 funds for small/middle buyout. StepStone defines small-market funds as less than $2 billion; middle-market funds as $2B–7B; large-market funds as $7B–12B; and global funds as $12B and greater.
2. SPI by StepStone, as of March 31, 2025. Sample includes 378 large buyout funds and 798 small buyout funds, with vintages from 1984 to 2024.

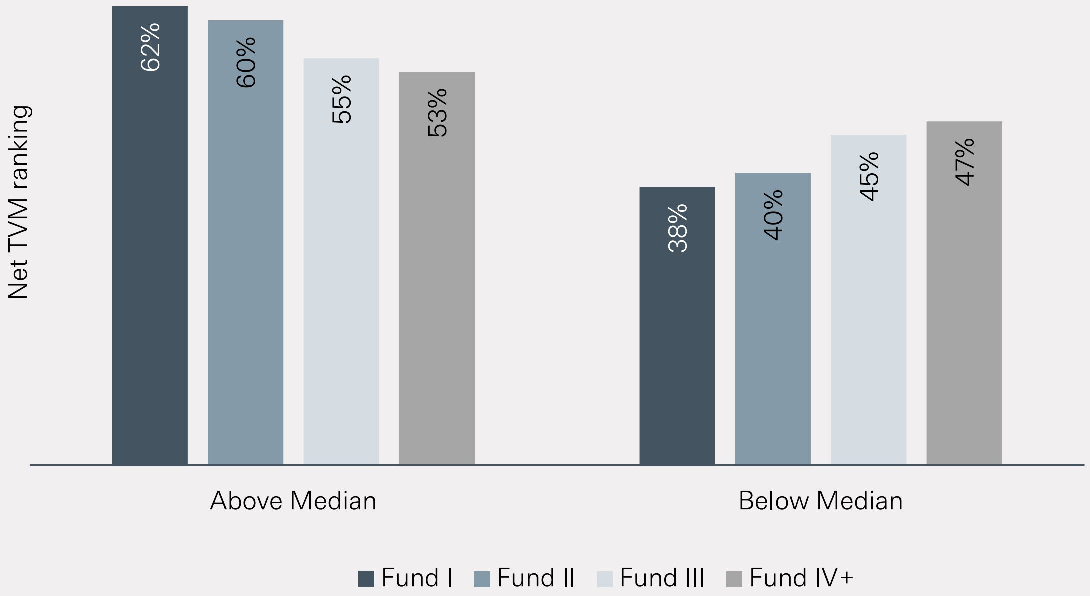
Attractive performance of first-time funds

LPs should do more Fund Is than they currently do, however successful Fund I investing requires disciplined manager selection and an understanding of the unique (but manageable) challenges

Comparative performance by fund vintage



Early fund outperformance



Source: SPI by StepStone, Burgiss, as of June 30, 2025, Buyout funds with vintages 2001-2020. Net IRR chart includes 2,090 funds. Net TVM chart includes 2,069 funds.
Past performance is not indicative of future results. Actual performance may vary

Regional outlooks

Key themes in North American private equity

Pressure on distributions, elevated dry powder and elongated fundraising timelines are factors driving ongoing flight to quality, as well as opportunities in Small and Middle Market buyout strategies. Macroeconomic uncertainty continues to increase emphasis on asset quality and selection as well as growth as a driver of returns in underwriting assumptions.

PRESSURE ON DISTRIBUTIONS AND MORE MACRO CERTAINTY CREATING DEAL-MAKING INFLECTION POINT

- ✓ The M&A pause post-US tariff announcements in April 2025 began to dissipate in late summer, beginning with the debt markets re-opening more substantially. Generally, direct impact on PE companies varied based on sectors and were milder than anticipated.
- ✓ Over 60% of PE-backed companies are 4+ years old. While not all are past their prime, they are all up for sale. Buyers and sellers are coming to the table.
- ✓ Exits in last several years concentrated in sponsor-to-sponsor and corporate sales. But 1H 2025 IPO exit volume has already matched 2024 total (though still well below 2021 peak) and GP-led secondary market (e.g., continuation vehicles) continues to grow into an attractive exit avenue for “trophy” assets.

PE’S LONG-TERM OUTPERFORMANCE VS. PUBLIC MARKETS

- ✓ Recent PE underperformance vs. publics (especially US large cap) has come under scrutiny, particularly as public valuations have grown significantly. However, going forward, it is not clear that returns on public equities is sustainable at these levels and recent public equities momentum has not been broad based.
- ✓ Over the long run, median private equity has outperformed the MSCI ACWI in 20 of the 22 vintages (2000-2021), with outperformance ranging from 300-500 bps. Top quartile funds have outperformed more meaningfully.

VALUATIONS REMAIN LARGELY RESILIENT FOR IN-DEMAND ASSETS AS UNDERWRITING RECALIBRATES

- ✓ 1H 2025 saw North American buyout multiples increase slightly YoY at larger end of the market and in sectors with lower direct exposure to tariff-related volatility (e.g., software, healthcare services).
- ✓ Increasing difficulty to “make money on the buy” (i.e., rely on multiple expansion) to generate returns; instead, there is a growing focus on organic revenue growth, margin improvement, M&A, etc. as drivers of investment returns
- ✓ PE buyouts continue to exit at slight premium to marks. In YTD 2025, the median North American buyout deal was realized at a 7% premium over the last 5 quarter mark.

ATTRACTIVE OPPORTUNITY IN SMALL AND MID MARKET BUYOUT

- ✓ Smaller market GPs showed ability to exit deals to larger funds and had more favorable DPI. More LPs looking at smaller to middle market GPs, which has not grown as quickly as large/global GPs, to find more diversification in exit avenues. Less dependency on leverage, and more operational inefficiencies to target.
- ✓ Dry powder remains at record absolute levels and concentrated in larger funds, with a growing base of sponsor buyers, creating a large buyer universe for small market PE managers.

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Key themes in European private equity

European private equity activity expected to rebound amidst a challenging macroeconomic backdrop

PLATEAUING INTEREST RATES

- ✓ After eight rate cuts since June 2024, the ECB has now paused its easing cycle, keeping interest rates at 2.0% for the second consecutive meeting. Rates are expected to plateau near current levels going into 2026 and inflation remains in line with the ECB target (September 2025 HICP growth of 2.2%).
- ✓ Similarly, after five rate cuts since August 2024, the Bank of England held interest rates at 4.0% in September 2025, signalling concern over continuing inflationary pressures (August 2025 CPIH growth of 4.1%), with limited further rate cuts expected in the near term.
- ✓ The credit spread has compressed for new transactions and refinancings, driven by the supply-demand imbalance of financing compared to M&A volume.

REBOUNDING DEAL ACTIVITY

- ✓ Although financing is now easily available, persistent macroeconomic uncertainty, as well as geopolitical risks and trade tensions, continue to weigh the deal activity. The volume and number of deals have started to rebound but more slowly than initially anticipated, with deal volume in Q1-Q3 2025 in Europe approximately in line with 2022 while deal value is still lagging 15% behind.
- ✓ Private Equity firms continue to face pressure to generate liquidity before raising new funds, creating a significant pipeline of companies waiting to be brought to market. This backlog may result in increased deal flow and potentially more competitive pricing as market confidence improves.

SECONDARIES: ON TRACK FOR A RECORD-BREAKING 2025

- ✓ The secondary market recorded its highest H1 transaction volume ever observed, and remains on track for a record-breaking 2025, driven by continued secondary fundraising success, an influx of retail capital deployed via evergreen vehicles, traditional direct PE investors participating on the buyside of the secondary market, and a continued liquidity drought across the broader private equity market.
- ✓ Traditional LP portfolio activity increased by 32% from H1-24 to reach US$54bn in H1-25 due to the increasing number and frequency of LPs coming to market and market-clearing prices leading to a narrowing of bid/ask spreads.
- ✓ GP-led activity increased by 55% from H1-24 to reach US$48bn in H1-25 driven by consistent and increasing adoption of continuation vehicles by GPs as a tool to provide liquidity across their portfolios, raise follow-on capital and reset the holding period of their strongest performing assets.

REBALANCING OF THE MARKET OPPORTUNITY

- ✓ After a muted start to the year due to a combination of recession concerns, geopolitical risks and tariff uncertainty, global dealmaking has picked up in 2025. Larger transactions have been key drivers, with deals exceeding €1 billion accounting for 32% of total value in the first nine months of 2025.
- ✓ SSG expects resilient sectors such as Technology and B2B Services to remain favored in capital allocation, given the resilience of these sectors in a more complex macroeconomic environment. Conversely, more volatile sectors like Consumer are likely to see muted interest, weighed down by tariff impact.
- ✓ Current macroeconomic challenges are likely to have a stronger impact on some countries and economies in Europe, while others will remain more insulated. While Germany has experienced sluggish growth and industrial headwinds, planned defense and infrastructure spending may support stronger growth over time. By contrast, Italy and France's efforts to reduce budget deficits may dampen growth in the short term. SSG continues to favor Northern Europe, and in particular the Nordics and the Benelux.

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Key themes in Asia

Demographics, geopolitics, and fiscal/monetary policies are key factors influencing Asian markets. Asia continues to be a key growth engine of the world economy. The region's macro and policy divergence from North America and Europe makes it critical for building a diversified and resilient private equity portfolio.

POLICY & REGULATORY DEVELOPMENTS

- ✓ In response to the announced tariffs, the Chinese government has announced a RMB 2 trillion stimulus package featuring rate cuts, consumer incentives and banking sector support, while continuing to accelerate industrial self-sufficiency and R&D investment. Public markets (both H- and A-shares) have rebounded with friendlier listing rules and dual listings, and capital inflows from more institutional investors
- ✓ Japan is continuing its momentum from prior year's reforms to enhance corporate governance with the Tokyo Stock Exchange pushing for higher ROE, more divestitures and MBOs. Pension allocation to private markets is expanding, while retail investment schemes to stock markets widen
- ✓ India, SEA, Japan and S. Korea have introduced "China+1" supply chain incentive schemes in segments such as semiconductors, EV batteries, electronics manufacturing, etc.
- ✓ China, India and SEA have expanded cross-border QR payment connectivity; Asian central banks have made moves toward digital currency and local currency settlement
- ✓ Inflation continues to be modest in most markets across Asia, but levels vary between countries. Most central banks adopting a neutral or mildly easing stance
- ✓ Private equity managers and investors should continue to be sensitive to geopolitical and regulatory developments, identify business models that are resilient and sustainable, and provide value-added services to portfolio companies

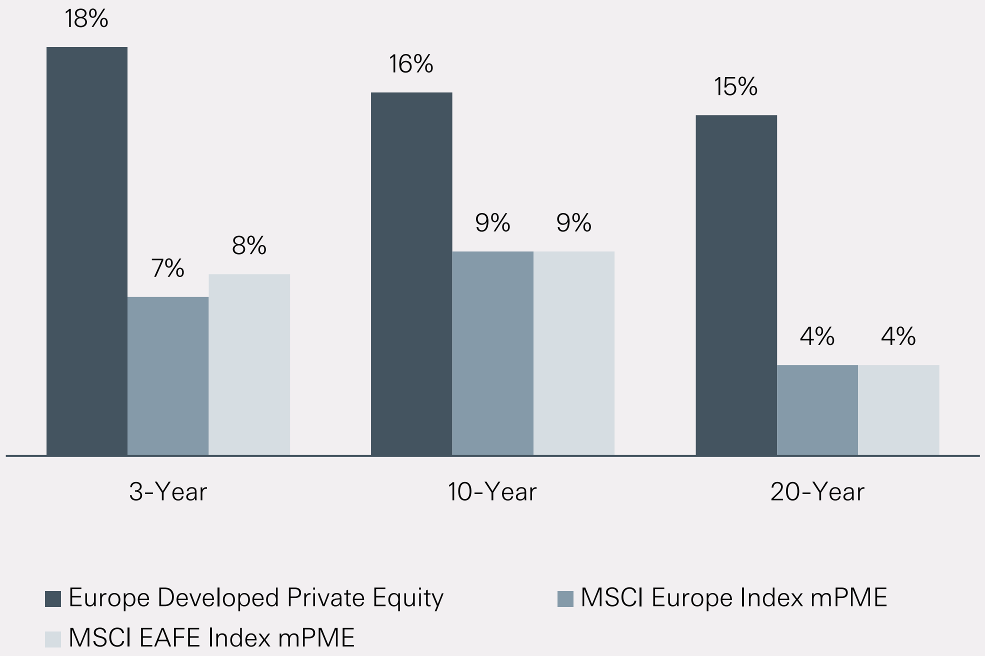
ASIA PRIVATE EQUITY OPPORTUNITY

- ✓ PE fundraising and market activity have remained muted in 2025, which could lead to interesting vintages given the market corrections. China dealmaking is stabilizing, while India and Japan gained momentum as attractive PE investment destinations
- ✓ Structural themes driving deal flow include "China+1" supply chain diversification, succession-driven buyouts, corporate carveouts, privatizations, domestic consumption, healthcare, business and technology services
- ✓ Exit volumes have continued to fall primarily due to uncertainties of the US tariffs and resulting volatility in the public markets. Nonetheless, there are indications of rebounding exit activity given strong public market performance across the region
- ✓ Global investors seek growth and FX appreciation optionality, as US rates begin to decline. Capital allocations to Asia are increasingly important given low correlations with US markets, intra-regional diversity, higher regional growth, and low stagflation risks

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: IMF World Economic Outlook (April 2025), IMF Regional Economic Outlook (April 2025), ADB Asian Development Outlook (September 2025), ION Analytics, United Nations, World Economic Forum, Preqin, Trading Economics.

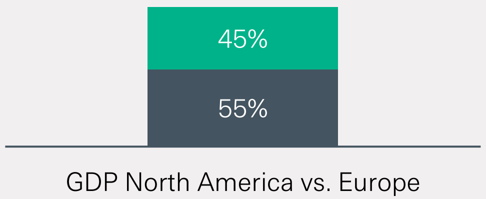
European private equity as a portfolio diversifier

European private equity has outperformed European public stocks for the last 20 years

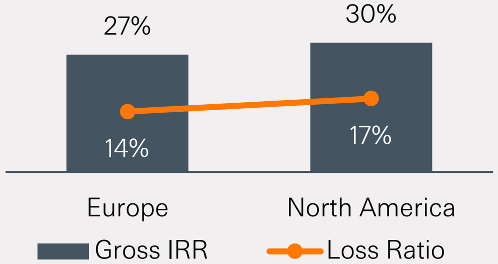


European GDP and private equity risk-adjusted returns are broadly in line with North America...

2025 IMF GDP estimate

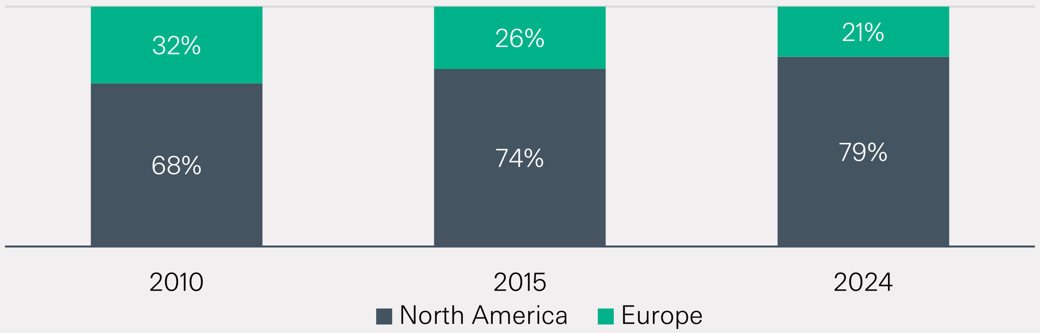


PE realized deals since 2010



... However, LPs have increasingly underweighted Europe and allocated more capital towards North America

NAV exposure by region



Source: SPAR Benchmark as of March 31, 2025. 2025 GDP (est.) as provided by IMF.
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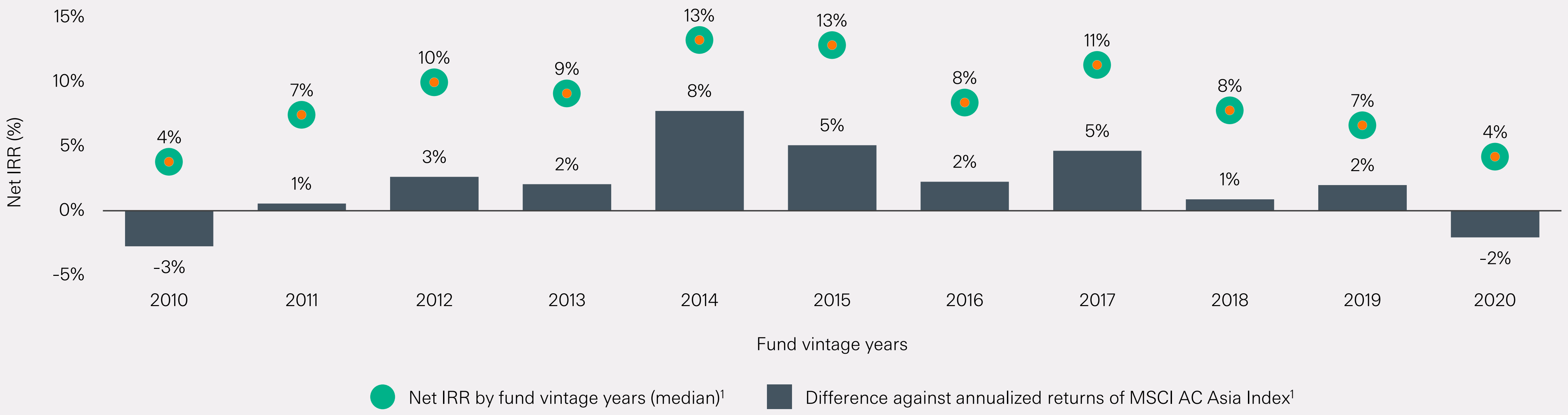
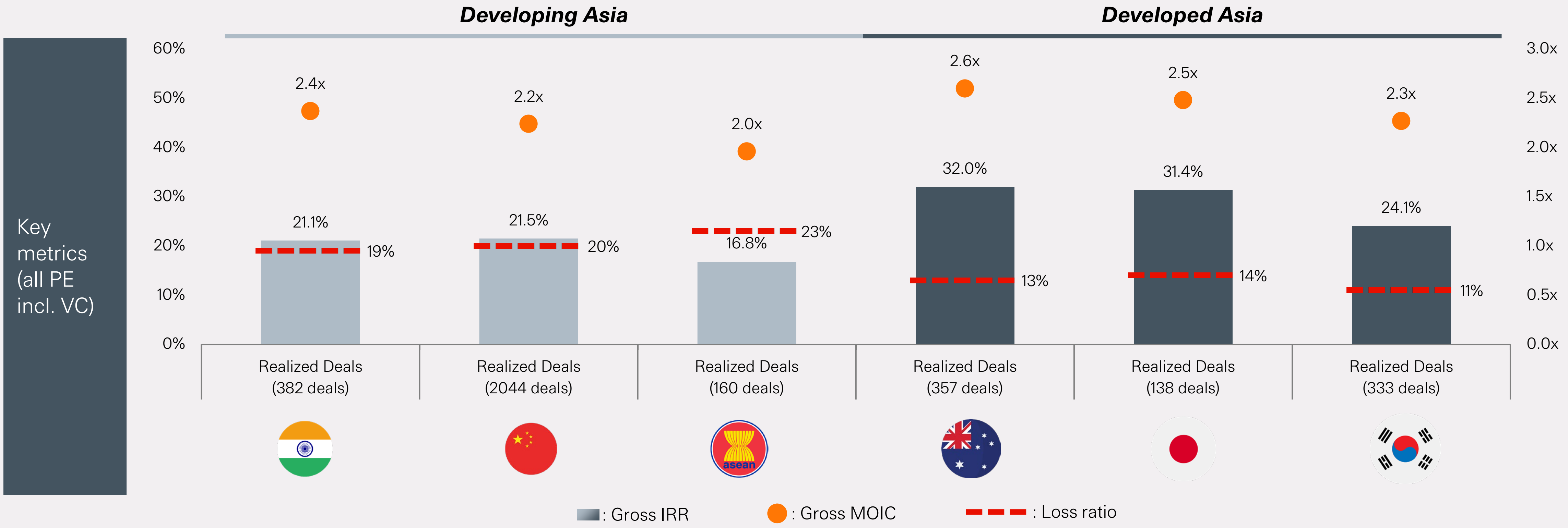
Asia PE has outperformed its public markets benchmark

- Asia Private Equity (including VC) has delivered consistent excess performance over MSCI AC Asia, generating alpha across most periods with peaks above +8%
- Even in softer years, underperformance remained contained and shallow, reflecting lower mark-to-market volatility relative to public markets
- The sustained performance premium highlights the structural advantages of private markets in Asia, including access to early growth, founder transitions and operational value creation. This reinforces the case for strategic allocation to Asia PE as a long-term return driver



Source: 1. StepStone SPI (as of Oct'25).
Note: As of June 30, 2025, results are shown relative to the MSCI AC Asia (TR) Index, with performance benchmarks referencing the 50th percentile. **Past performance is not indicative of future results. Actual performance may vary.**

Asia PE deal-level performance



India leads performance in Developing Asia, while **Japan and Australia lead** performance in Developed Asia

Despite lower headline growth, **Developed Asia delivers meaningfully higher returns** compared with Developing Asia, reflecting more consistent liquidity channels and mature capital markets

Manager selection remains critical, but **loss ratios are relatively contained in Asia**, as compared to 17% in the US and 18% in the EU for realized deals with the same time horizon (also including VC deals)

Source: SPI (as of Oct'25); Note: Includes data between 2005-2025. Performance is presented based on the fund's reported currency, which is generally reported on a constant currency basis. Gross DPI is calculated as the ratio of total realized value to total invested value, using local currency. StepStone acquires proprietary operating metrics through investment due diligence and portfolio monitoring. "Realized deals" refer to fully realized deals only.

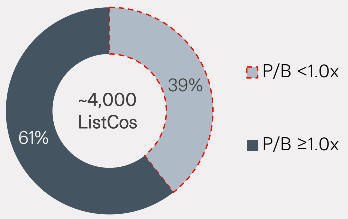
Diversifying your Asia exposure

Japan

- **Structural outperformance** – robust and consistent M&A deal flow, strong DPI and growing buyout and take-private opportunities; across scaled companies and SMEs alike
- **Governance reforms** –reforms and a focus on capital efficiency are creating a broad opportunity set; ~40% of listed companies are trading below 1.0x P/B

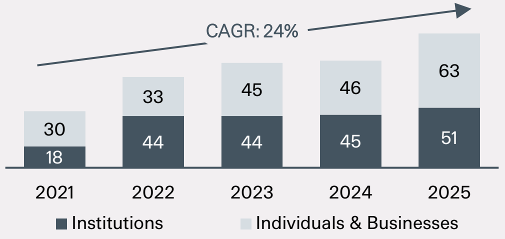
Take-private opportunity set

P/B ratio of listed companies on the Tokyo Stock Exchange



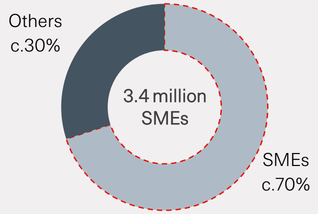
Increasing AGM participation to enact change

Number of activist requests



High SME contribution

Employment contribution by SMEs (%)

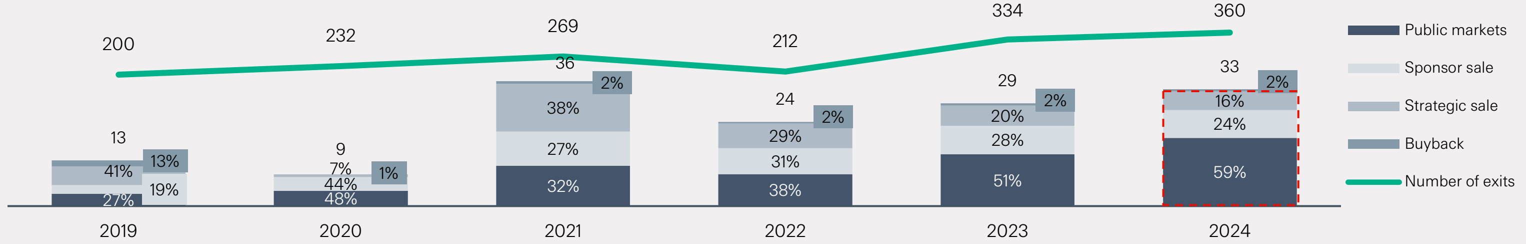


India

- **Accelerating buyout momentum** – global and country-focused funds increasingly focused on buyout deals (accounting for over 50% of deal value in 2024)
- **Growing exits led by IPOs** – increasing liquidity for sponsors across all channels, most notably public exits
- **Macro tailwinds** – the fastest growing major economy, and one of the youngest/largest middle classes globally

Increasing exit value across channels

Annual PE/VC exit deal value in India (2019-2024, US$ in billions)

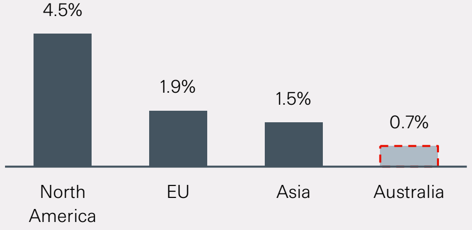


Australia

- **Structurally underpenetrated PE market**– room for growth in deal activity and sponsor fundraising, particularly in the mid-market. Provides developed market stability coupled with emerging market adjacency
- **Attractive LMM entry valuations** – the larger segment of the market is more efficient/competitive, but the LMM offers reasonable entry valuations

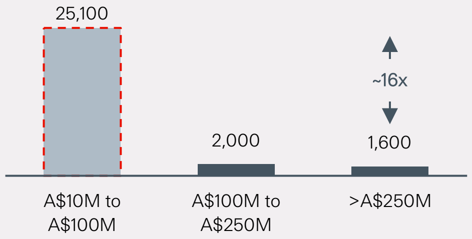
Low penetration

PE dry powder as % of GDP



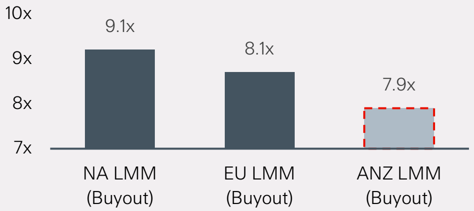
Broad LMM opportunity set[1]

No. of Australian companies by revenue



Attractive entry valuations

LMM 20-year average entry TEV/EBITDA (2005-2025)



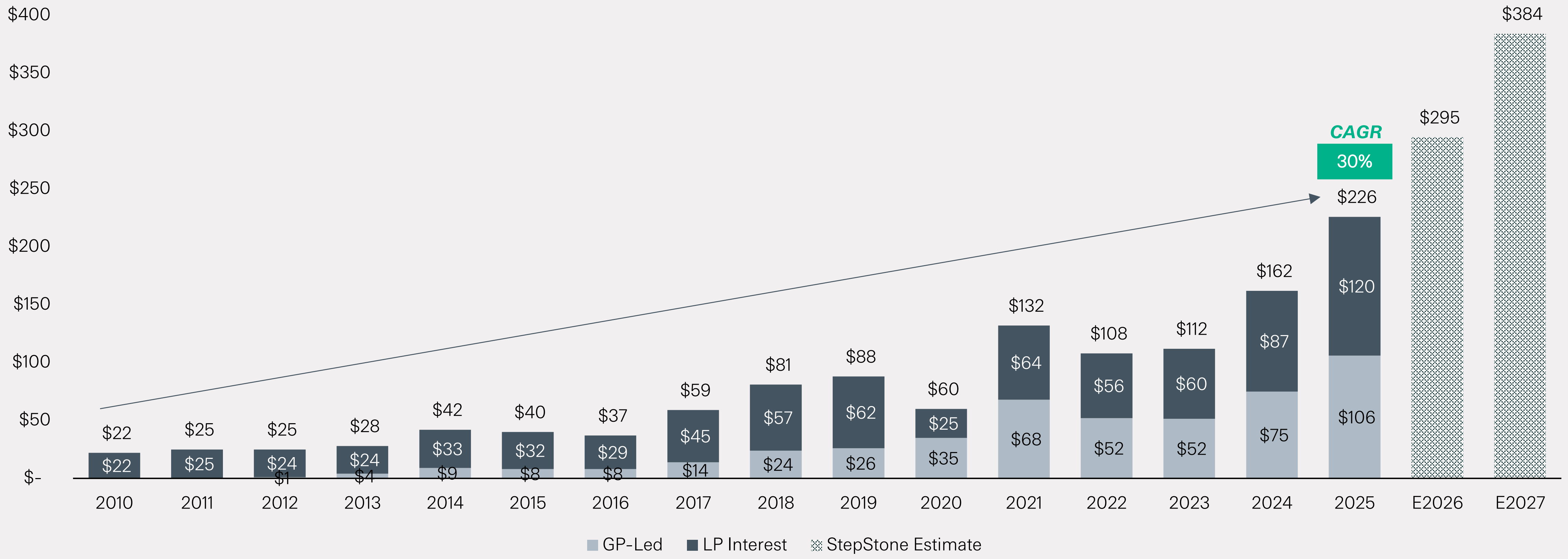
Source: Tokyo Stock Exchange, Capital IQ (as of August 2025), Lexology, World Economic Forum, White & Case, Sumitomo Mitsui Trust Bank, StepStone Research, Australian Tax Office, as of July 2024, Bain & Company as of May 2025. Notes: 1. LMM buyouts are defined as deals transacted by funds under US$1 billion in commitments in Asia and Australia; in North America and Europe, LMM buyouts are deals done by funds under US$2 billion in commitments. These thresholds reflect regional differences in market maturity and deal scales.

Secondaries and co-investment markets

Secondary market has doubled in size every 5 years

Secondary volume since 2010

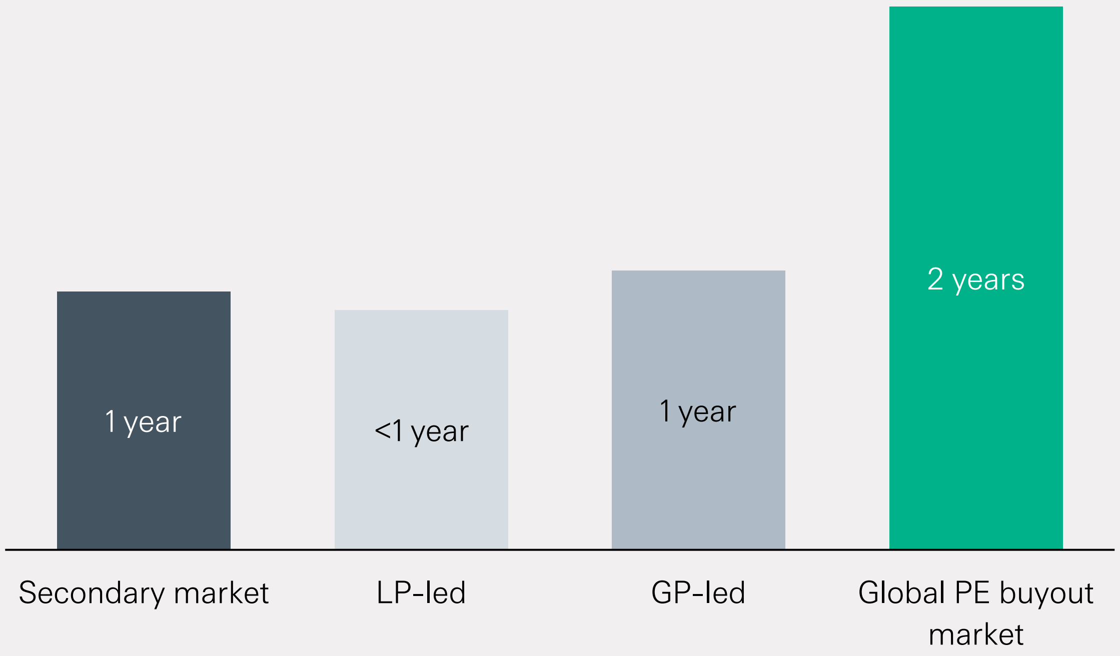
2010–2025



Source: StepStone analysis-based market research from Bain, Evercore, Lazard, and Jefferies between 2010 and 2025. For illustrative purposes only. No assurance that trends depicted will continue; actual results will vary. StepStone estimates for the period between 2025 and 2027 assume the secondary market continues to grow at the same rate as the period between 2010 through 2025. 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.

Secondaries is an undercapitalized market

Secondary dry powder as a multiple of market volume significantly less than the broader PE market[1]



Supply / demand imbalance may create buyer friendly environment[2]

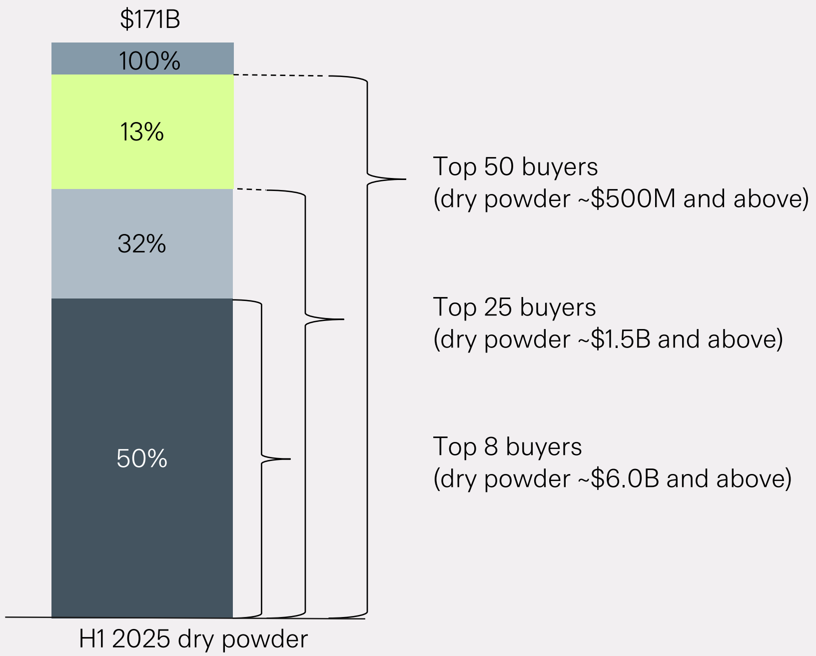
- Improved selectivity
- Relative lack of dedicated capital to GP-leds, advantaging early movers
- Higher quality assets brought to market
- Lower pricing pressure
- Better returns

Source: Evercore (January 2026) and StepStone Group proprietary data. 1. Represents the ratio of dry powder relative to LTM transaction volume, expressed in years of implied deployment time assuming the same rate of deployment. Secondary dry powder includes equity dry powder and excludes available leverage and anticipated fundraising volume. StepStone research demonstrates that there is greater secondary volume for high-conviction managers and assets ranked in the first and second quartile today than in the prior 5 years. 2. 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.

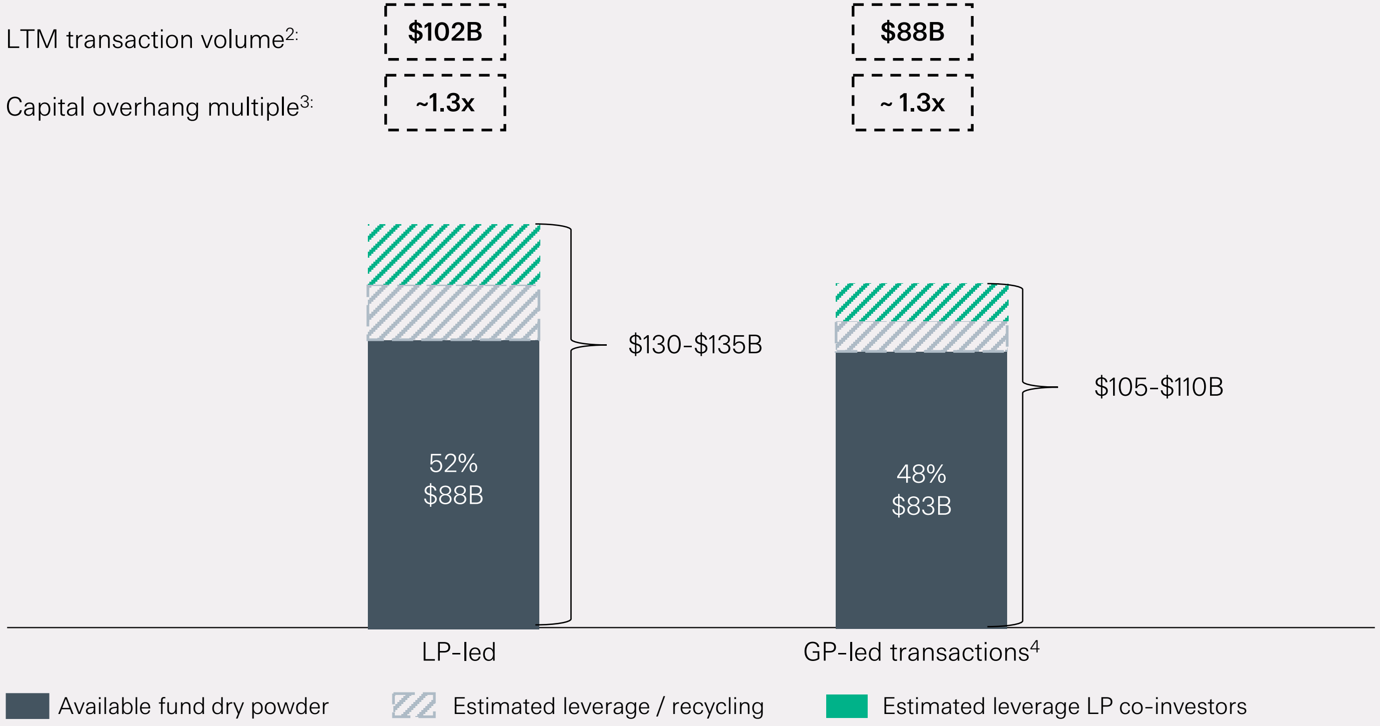
Secondary dry powder by buyers and deal type

Available secondary dry powder is at $171B, down 21% from YE'24, though buyers expect to raise an additional $218B over the next 12 months

Secondary fund dry powder[1]



Estimated capital availability by secondary transaction type

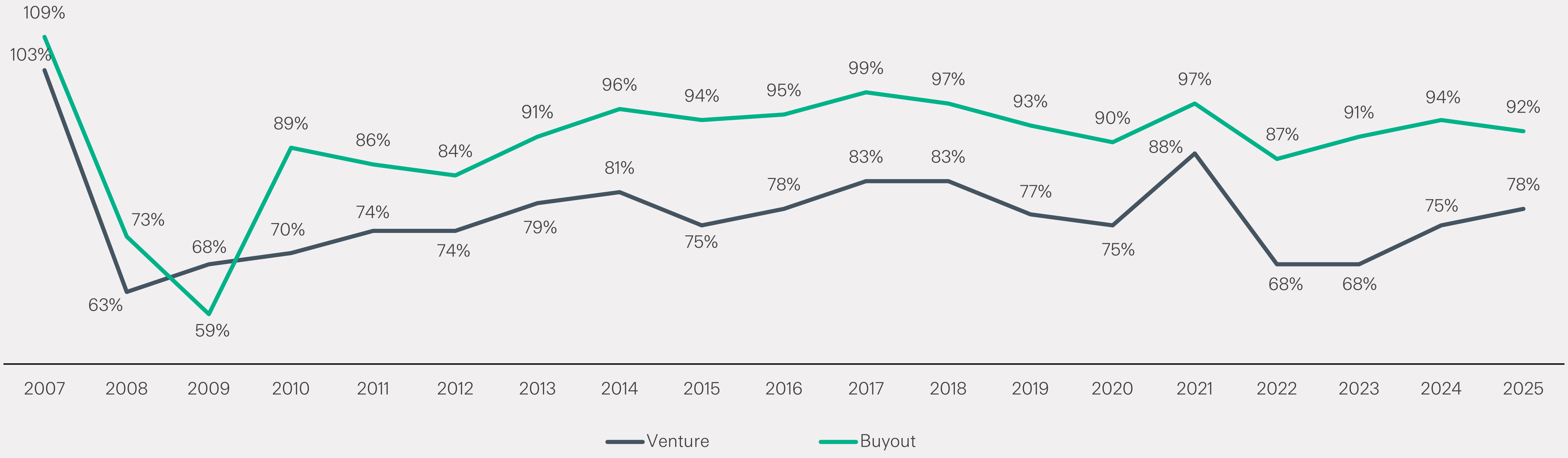


Source: Evercore Secondary Market Survey, July 2025.
Notes: 1. Dry powder pre-leverage and excluding co-investors 2. Based on total transaction volume (purchase price and new capital raised) from 2024 3. Calculated based on available dry powder, inclusive of co-invest and leverage, divided by transaction volume from 2024 4. Includes continuation vehicles, strip sales, and fund, GP, and portfolio financing transactions.

LP Secondaries pricing rise modestly

2025 secondaries pricing was down slightly vs. 2024 in buyouts, and recovered modestly in venture

Secondary pricing over time (% of NAV)[1]
As of January 2026

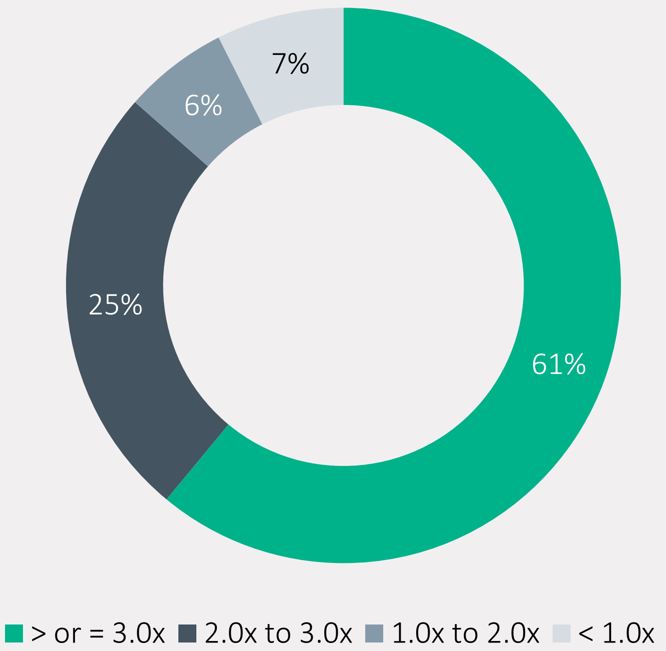


Source: Jefferies Global Secondary Market Review (January 2026).

CVs have been capturing an outsized share of "trophy"[1] assets from traditional exits

Returns of assets entering CVs[2]

% of total, 2020-2024



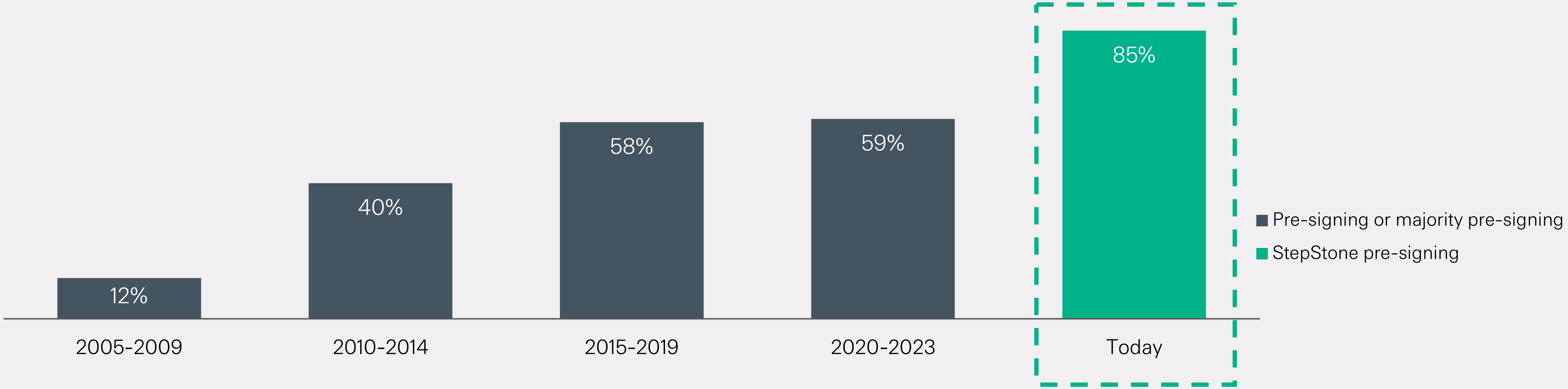
The vast majority of the GP-led market is characterized by assets which have delivered over a 3.0x[3]

Source: StepStone Group proprietary data. No assurance that trends depicted will continue; actual results will vary. 1. "Trophy" assets are defined as transactions where the top two assets account for 70% or more of the total purchase price. 2. Reflects gross TVPI returns crystalized across traditional buyout transactions, based on the count of exits across fiscal years 2020-2024. The return figures shown are not the performance of any StepStone fund, account, or investor and are being provided for illustrative purposes to show the returns to the selling fund. Returns for any StepStone fund are expected to differ and there can be no assurance that any fund or investment strategy will be successful. Net returns to investors in respect of any StepStone fund investment would be expected to be lower and fees and expenses are likely to be significant. 3. Reflects the realized returns crystalized by assets which are transferred into GP-led vehicles (as opposed to being exited by other means (e.g., M&A or IPO)) in fiscal years 2020-2024.

Pre-signing co-investments have grown as % of market

- Sponsors are increasingly seeking to partner with select co-investors pre-signing. Co-underwriter universe is small given need to move with speed, certainty, and scale
- Co-investors unable to participate in the co-underwriting/pre-signing opportunities will miss out on a growing and outperforming segment of the market
- StepStone is a trusted co-underwriting partner providing both enhanced investment opportunities and allocation advantages

% co-investments offered on a pre-signing basis[1]



Source: StepStone's PE Co-invest Survey, 2024. Data represents the percent of total co-investment market volume offered on either a pre-signing only or pre-signing and post-signing basis. Deals offered on only a post-signing basis are excluded.

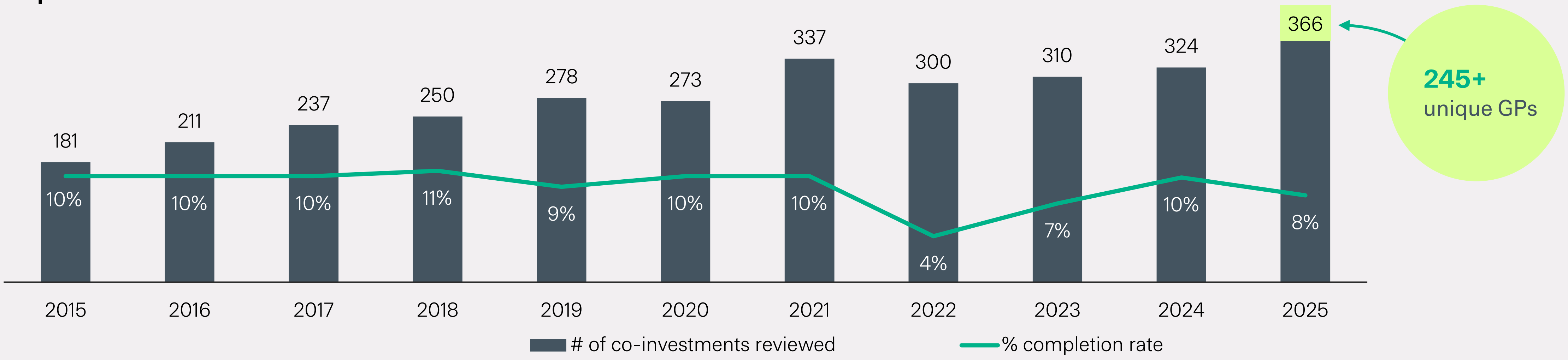
1. The co-underwriting/pre-signing % is for SCP V investments as of January 8, 2026.

Proactive and highly selective

Broad opportunity set allows StepStone to maintain selectivity

- Large, actionable pipeline of buyout deals offers opportunities in all market environments. Pipeline augmented by co-underwriting capabilities
- Q4 2025 saw a 13% increase in opportunities compared to the prior year period while the approval rate decreased over the same time
- Qualified pipeline investment opportunities have grown at an approximately 7% CAGR since 2015 and have remained resilient in recent years despite lower overall market activity levels

Completion rate[1]



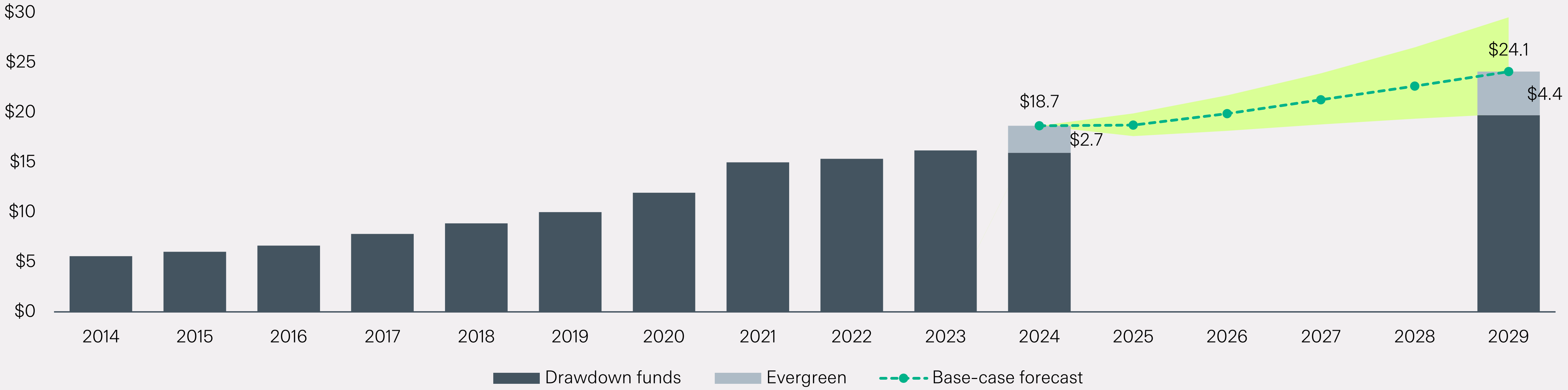
Source: StepStone. Transaction flow for the twelve months ended June 30, 2025.
1. Excludes follow-on transactions and transactions categorized as venture capital, tactical growth, real estate, infrastructure or mezzanine, which are strategies not generally expected to be pursued by this co-investment program. Historical figures are subject to change.

Evergreens

While evergreen structures gain traction, drawdown-led AUM growth persisted through the decade

Global private capital AUM forecast

$ in trillions



Private Capital AUM expanded significantly over the past decade, led by traditional drawdown vehicles

We forecast that future growth will continue to be supported by these structures, but increasingly driven by evergreen, semi-liquid models

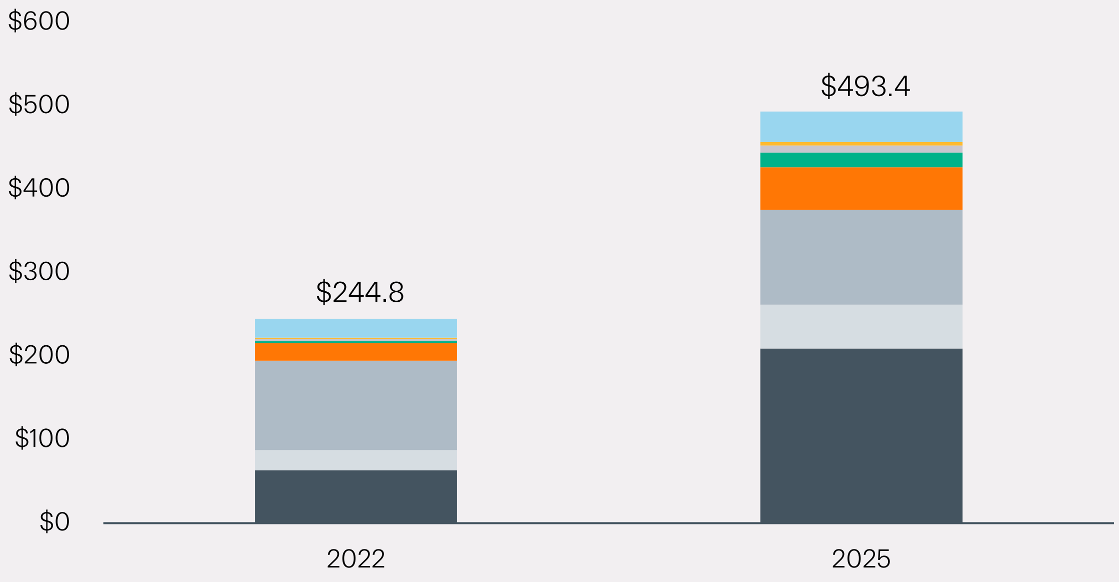
Source: Pitchbook Geography: Global
Note: Historical data does not include evergreen structures. Forecasts were generated on April 14, 2025. “Evergreen” includes various indefinite-life / evergreen formats across private markets and includes insurance AUM from Blackstone, KKR, Blue Owl Capital, The Carlyle Group, Ares Management, Apollo Global Management, and Brookfield.

Evergreen growth by strategy

PE and VC represent less than a third of all evergreen funds today, and only ~0.6% of the overall private equity AUM

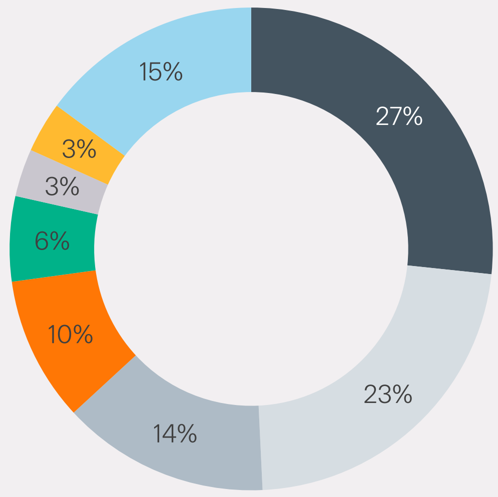
U.S. evergreen fund net AUM by strategy[1]

$ in billions



Share of active U.S. evergreen fund count by strategy[2]

As of 2025



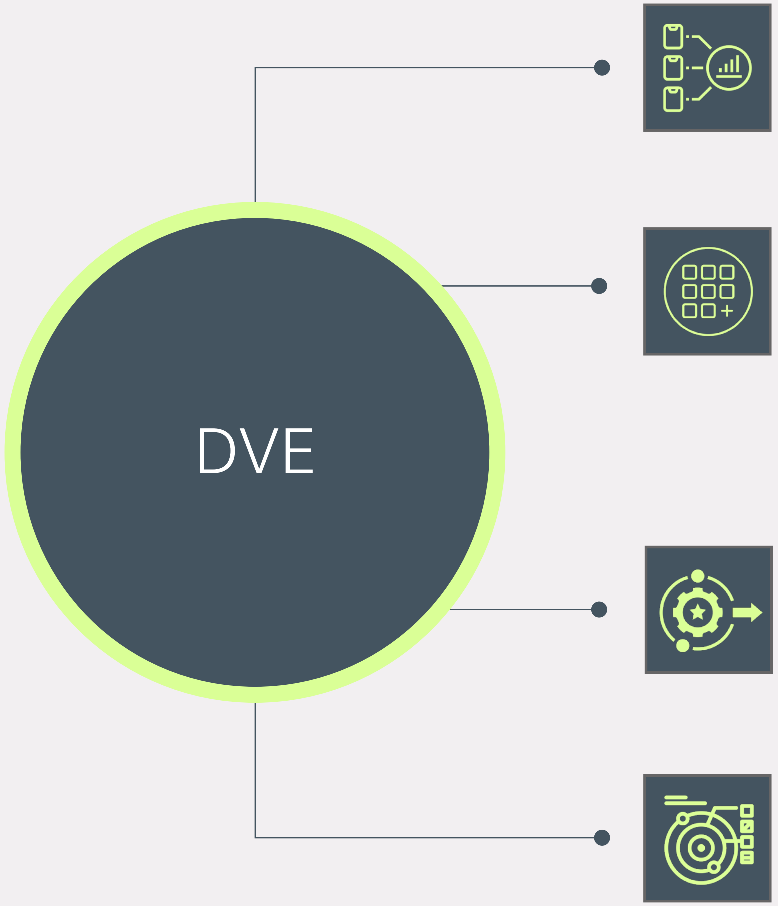
Direct lending | Alternative credit | Real estate | Private equity | Private multi-asset | Infrastructure | Venture Capital | Nonprivate markets

Source: Morningstar and Pitchbook, Q4 Evergreen Landscape Geography: U.S

1. Data was aggregated on December 4, 2025. The most recent dates of the disclosure documents range from June 30 to September 30, 2025.
2. Data as of November 30, 2025

Daily Valuation Engine

Daily Valuation Engine overview and applications



Overview

- Quarter-end valuations for private market assets are typically reported with a 60–120 day lag
- To estimate today's value, Adjusted NAVs use the previous quarter's valuation, and adjust for cashflows to date
- DVE builds on this, using public market returns. This estimated valuation tends to be more accurate

Applications

- Pension plans that require mark-to- market valuations at year-end
- Comparison of public vs. private market performance without the 90-day lag
- Clients' portfolio construction analysis and investment pacing decisions using the updated valuations
- 401K plans that require daily valuation
- Liquid Private Market products with monthly valuations

Product deliverables

- Portfolio valuation estimate by asset class and sector
- Model projection in comparison with the Cash Adjusted method
- SPI Reporting integration that allows clients to access portfolio valuation estimates

Data inputs/assumptions

- Investment manager's cash flow statements and valuations
- Publicly-listed holdings, marked at the closing market price, FX, and benchmark indices that are updated daily

Daily Valuation Engine overview and applications

The Daily Valuation Engine ("DVE") is a model to provide quarterly valuations for private assets leveraging StepStone's data tracking capabilities

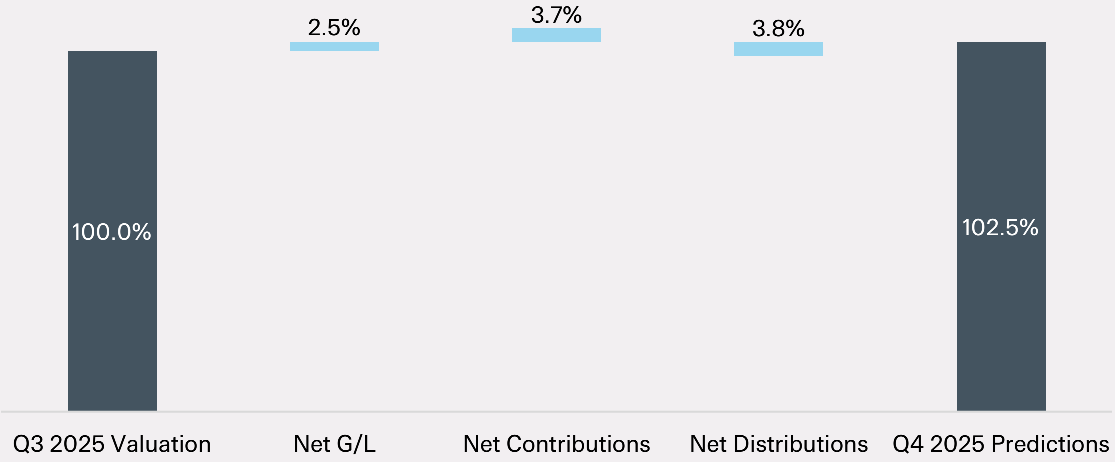
Asset classes	Geographies	Strategies
Private Equity	Asia/Australia	Primaries
	Africa & Middle East	Secondaries
	Europe	Co-investments
	Latin America	
	North America	

Funds	Quarterly valuations	NAV	Error rate
3,000+	77,000+	$2.6T+	2.0%

Source: DVE estimate as of March 31, 2025. For illustrative purposes only.

Q4 2025 PE DVE estimation review

For Q4 2025, the model estimates a **2.5% gain** in USD across StepStone's SPI Reporting database for Private Equity.



Asset Class	Gain / (Loss)	Net Cash Flow	NAV Change
Private Equity	2.5%	-0.07%	2.5%

Public comparable benchmarks

S&P 500 TR	DJ STOXX 200 (USD)	Nasdaq Composite Total Return	Dow Jones Industrial Average	S&P 500 Energy	EUR/USD FX
▲ 2.7%	▲ 5.6%	▲ 2.7%	▲ 4.0%	▲ 1.5%	▬ 0.0%

1. Certain assumptions have been made for modeling purposes and are hypothetical and unlikely to be realized. No representations and warranties are made as to the reasonableness of the assumptions. For illustrative purposes only. The rollforward estimates determined by StepStone herein reflect the latest relevant data as of January 2026. The SSG roll forward has been computed across 1977 funds. The referenced indices/benchmarks are shown for general market comparisons and are not meant to represent any particular fund. An investor cannot directly invest in an index. Moreover, indices do not reflect commissions or fees that may be charged to an investment product based on the index, which may materially affect the performance data presented.

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.

Responsible Investment: While StepStone seeks to integrate certain Responsible Investment (“RI”) factors into its investment process and firm operations, there is no guarantee that StepStone's RI strategy will be successfully implemented or that any investments or operations will have a positive RI impact. Applying RI factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by StepStone to formulate decisions regarding RI, 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 RI impact and those interpretations are rapidly changing. The description of RI 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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