

Pacing – Model Assumptions



- **Overall Assumptions:**

- Plan asset start date as of fiscal year end, June 30, 2024
- Net plan asset Real Estate rate of 5.5% (7% Real Estate with 1.5% cash outflow)
- SMA's sold over a three-year period starting in FY 2024 (~\$1.8 billion)

- **Core/Core-Plus Assumptions (*Effective January 1, 2025*):**

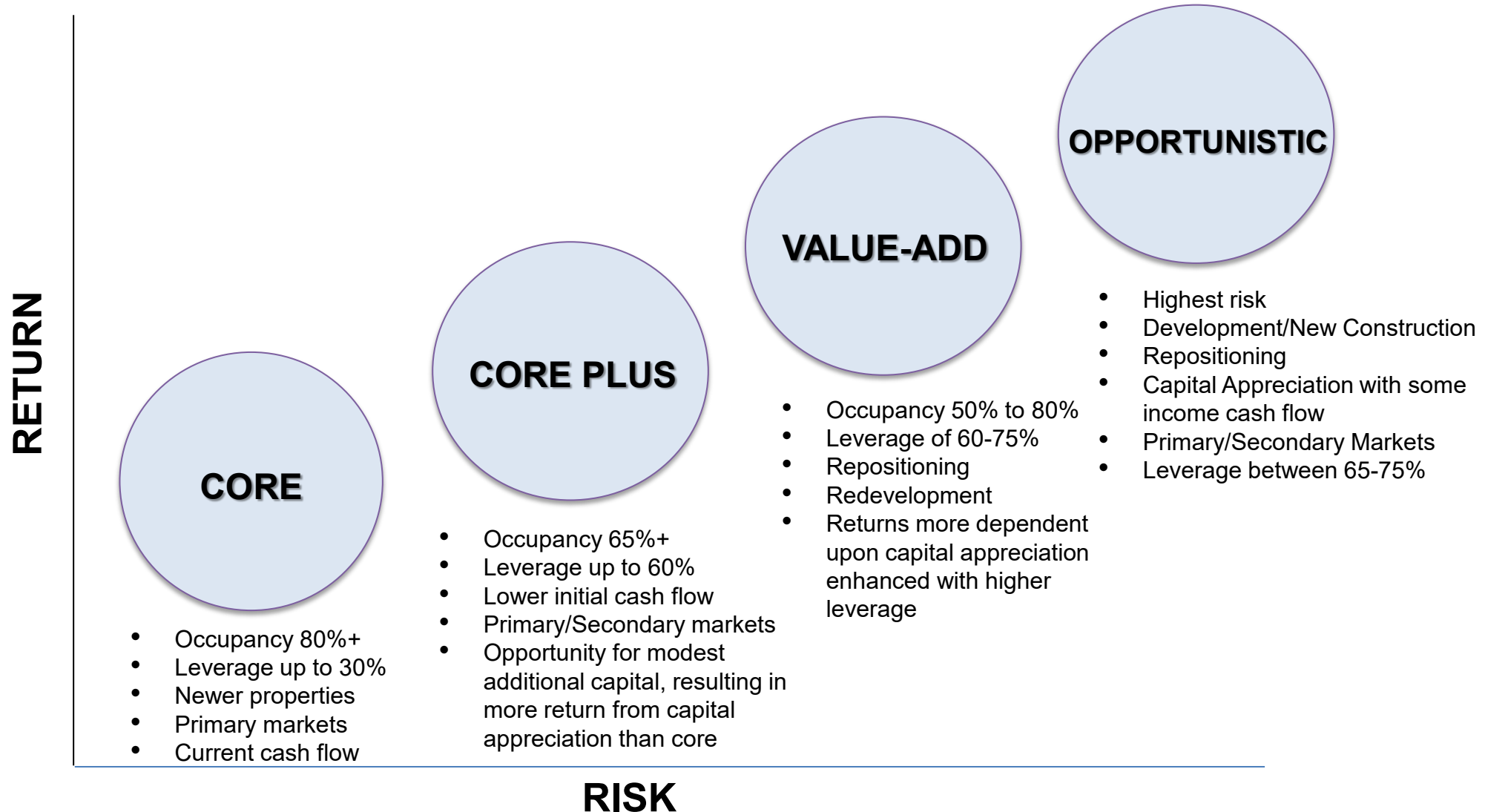
- 5% target allocation of plan assets
- All commitments are from Core/Core-Plus SMAs dispositions/transfers
- Commitments are split equally between Core and Core-Plus open-ended funds and strategies
- Core Private Real Estate target 10-year net IRR return expectation: 4.8%
- Core Private Real Estate target allocation completion in 2028

- **Non-Core Assumptions (*Effective January 1, 2025*):**

- 2% target allocation of plan assets
- Commitments are split equally between Value-Add and Opportunistic closed-ended funds
- Value-Add target 10-year net IRR return expectation: 7.3%
- Opportunistic target 10-year net IRR return expectation: 8.4%
- Non-Core Private Real Estate target 10-year net IRR return expectation: 7.85%
- Non-Core Private Real Estate target allocation completion in 2028

Source: Meketa Investment Group and Stepstone Real Estate. 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. No representation or warranty is made as to the returns which may be experienced by investors.

Risk Profile Definitions

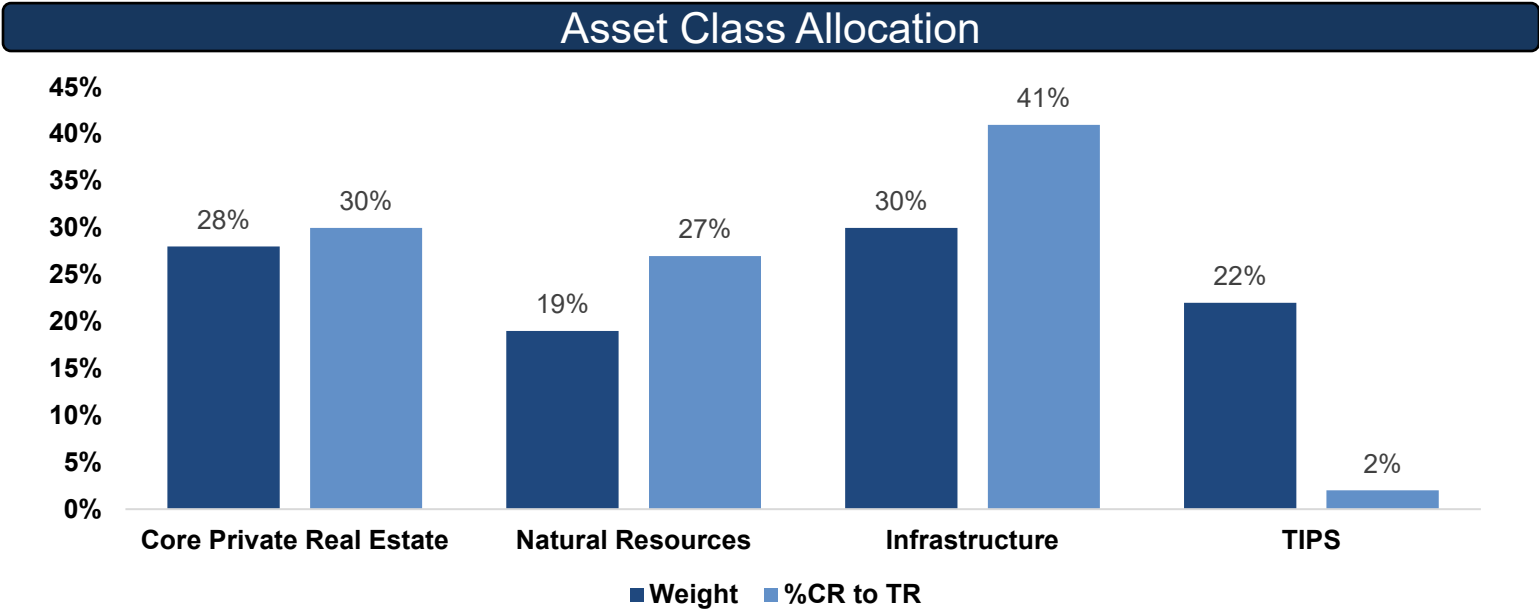


Risk Summary – Core Real Estate



Summary		Asset Class Contribution to Risk				
Statistic	Value	Asset Class	Market Value	Weight	Total Risk	Risk Contribution %CR to TR
Total Risk	10.92	Real Assets & Inflation Hedges				
Benchmark Risk	11.64		\$11,097	100%	10.92	10.92 100%
Active Risk	3.91	Core Private Real Estate	3,132	28%	15.05	3.31 30%
Portfolio Beta	0.88	Natural Resources	2,148	19%	18.07	3.01 27%
		Infrastructure	3,368	30%	15.81	4.37 41%
		Treasury Inflation Protected	2,448	22%	2.73	0.24 2%

- Core private real estate makes up about 28% of the real assets and inflation hedges functional category market value
- Core real estate contributes 30% to the forecast total risk of the real assets and inflation hedges functional category
- The stand-alone total risk forecast is 15.05



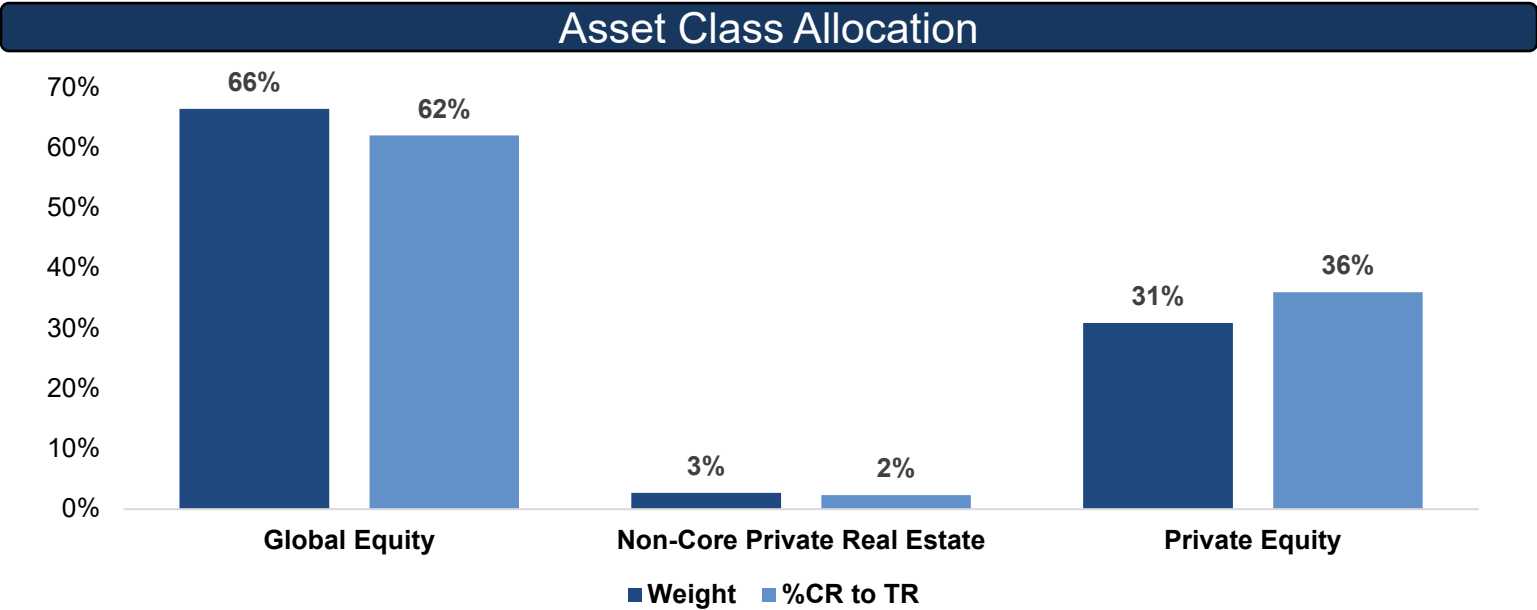
Source: MSCI BarraOne, data as of September 30, 2024, \$ in millions.

Risk Summary – Non-Core Real Estate



Summary		Asset Class Contribution to Risk					
Statistic	Value	Asset Class	Market Value	Weight	Total Risk	Risk Contribution	%CR to TR
Total Risk	15.79	Growth	\$41,455	100%	15.79	15.79	100%
Benchmark Risk	15.79	Global Equity	27,595	66%	15.29	9.81	62%
Active Risk	1.12	Non-Core Private Real Estate	1,112	3%	20.57	0.34	2%
Portfolio Beta	1.00	Private Equity	12,748	31%	20.47	5.64	36%

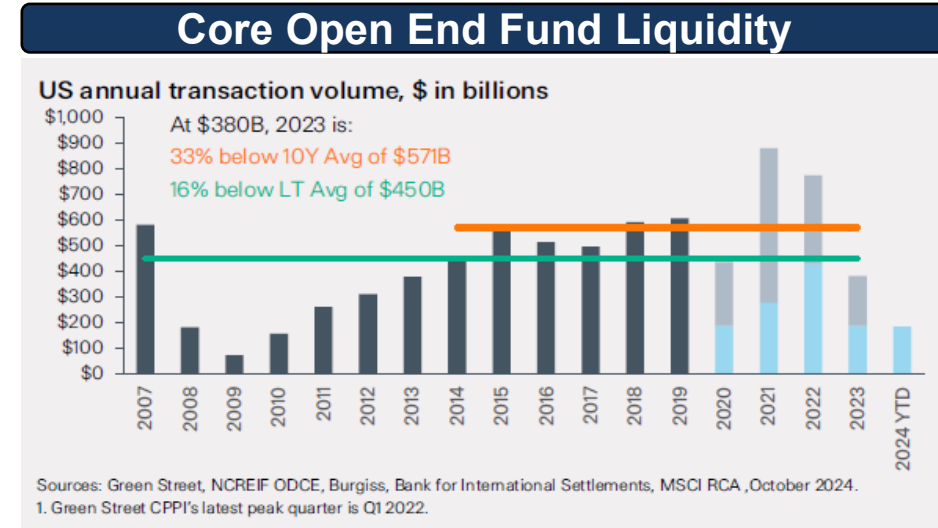
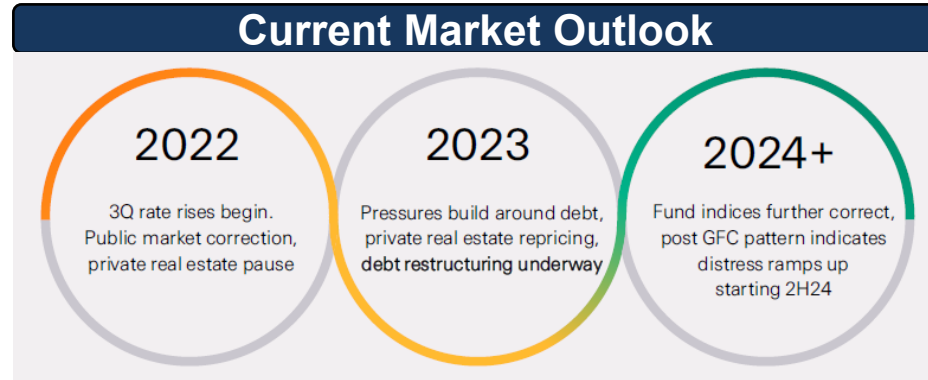
- Non-core private real estate makes up about 3% of the growth functional category market value
- Non-core real estate has minimal impact on the forecast total risk of the growth functional category total risk contributing 2%
- Due to volatility of real estate asset class in recent quarters and global geography of portfolio, the stand-alone forecast total risk is at 20.57



Source: MSCI BarraOne, data as of September 30, 2024, \$ in millions.



Stepstone Fall 2024 House View



Marks remain above trading prices, suppressing volume

- Interest rates are likely to remain well above pre-2022 levels, even as central banks ease
- A large bid-ask gap, with sellers not motivated to take losses, is depressing trading volume
- Fund valuations have lagged asset trading prices in both timing (normal) and amount

Higher Interest Rates Lead to New Opportunity

NOW: Favorable Outlook

Within areas of real estate debt, secondaries and recapitalizations, opportunistic/distressed



NEXT: Core/Core Plus, as NAVs Correct

Repricing of open-ended funds ultimately likely to restore yields at normal spreads above now higher interest rates



ONGOING: Real Estate maintains its long-term targeted role in portfolios

Diversification, inflation protection, current income, and appealing risk/return