

**Item 1 – Cover Page**

**Stepstone Group LLC**

**4350 La Jolla Village Drive, Suite 800**

**San Diego, CA 92122**

**(858) 558-9700**

**www.stepstonellc.com**

**March 31, 2011**

This brochure (“Brochure”) provides information about the qualifications and business practices of StepStone Group LLC (“StepStone.” If you have any questions about the contents of this Brochure, please contact us at (858) 558-9700. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

StepStone is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information about which you should determine to hire or retain an investment adviser.

Additional information about StepStone also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for StepStone is 143635.

## Item 2 – Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” which requires advisers to amend the disclosure document that is provided to clients as required by the SEC’s rules. This Brochure, dated March 31, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this Brochure is materially different in content and structure and requires disclosure of certain new information that our previous brochure did not require.

As a result, this Brochure is materially different than our last update to Form ADV filed with the SEC June 28, 2010, and describes new services, fees, and other information. We strongly encourage you to read this Brochure carefully.

In the future, this Item 2 of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to the SEC’s new requirements and rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting our General Counsel and Chief Compliance Officer at (858) 558-9700.

Additional information about StepStone is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for StepStone is 143635. The SEC’s web site also provides information about any persons affiliated with StepStone who are registered, or are required to be registered, as investment adviser representatives of StepStone.

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## Item 4 – Advisory Business

StepStone has been providing investment advisory services since 2007. StepStone's sole equity owner in excess of 25% is Monte Brem, a Partner and the firm's CEO and member of the Board of Directors. All other equity owners in excess of 5% are identified on Schedule A of Form ADV. As of December 31, 2010, StepStone managed \$5.4 billion on a discretionary basis and \$1.3 billion on a non-discretionary basis.

StepStone provides investment management and supervisory services primarily with respect to private equity to institutional investors worldwide and sponsors and advises private equity funds with a variety of investment focuses as described below. StepStone's full range of private equity services also include private equity monitoring and reporting services.

StepStone specializes in managing private equity investments in the areas of primary fund investments, secondaries, co-investments and mezzanine investments, across all private equity asset classes (buyout, credit, venture, distressed, mezzanine, energy, real estate and infrastructure) and all major geographies (North America, Western Europe, Eastern Europe, Asia, Australia, Latin America, Middle East and Africa).

StepStone will sponsor and advise private equity funds ("Investment Funds") that typically acquire non-publicly traded interests that may be held for extended periods of time. These securities often are acquired through co-investments in various types of transactions, including, leveraged buyouts, growth equity investments or restructurings or through investment in mezzanine instruments. These securities may take the form of common equity, preferred equity, debt or other similar instruments. The capital provided by the investments may be used in the early, intermediate or late stages of an enterprise. We refer to these private equity funds as "Investment Funds."

StepStone will also sponsor and advise private equity funds that typically acquire non-publicly traded interests in Investment Funds from existing investors in such funds, and we refer to these private equity funds as "Secondary Funds."

StepStone will also advise separately managed accounts that invest in Investment Funds ("Private Equity Accounts"). Clients who wish to retain StepStone as investment manager acquire membership or limited partnership interest in a dedicated limited liability company or limited partnership vehicle whose investors are either (i) a single institutional investor as the sole non-managing member or limited partner or (ii) several institutional investors that have similar goals and expectations. An affiliate of StepStone serves as the managing member or general partner of the vehicle. The Investment Funds (via secondary acquisitions or primary commitments) or direct investment opportunities in which the Private Equity Accounts invest will be selected by StepStone based on clients' objectives and restrictions.

StepStone will also sponsor and advise private equity funds in which substantially all of the assets of the fund are invested in a designated Investment Fund, and we refer to these private equity funds as “Feeder Funds”. Following the initial investment decision to invest in the underlying Investment Fund, StepStone’s role with respect to such Feeder Funds will essentially be administrative and mechanical, rather than investment advisory in nature, as StepStone will be responsible primarily for effecting the Feeder Fund’s investment in the designated Investment Fund as directed by the Feeder Fund’s governing documents.

StepStone will also sponsor and advise private equity funds that will in turn invest in various underlying Investment Funds that it selects across all private equity asset classes and major geographies and we refer to these private equity funds as “Fund of Private Equity Funds.”

StepStone will also provide non-discretionary advisory services and non-discretionary sub-advisory services, as well as non-discretionary private equity monitoring and reporting services to institutional clients. Monitoring and reporting services include, but are not limited to, portfolio tracking and monitoring, database development and maintenance for document retention and performance data, portfolio analysis, review and reporting, review of amendments to governing documents, general research and education.

StepStone tailors its advisory services to the specific investment objectives and restrictions of each of the above mentioned types of clients pursuant to the investment guidelines and restrictions set forth in their respective confidential private placement memorandum, limited partnership or limited liability company agreement, investment advisory contract and other governing documents as well through ongoing discussions with each client. Investors and prospective investors of each Fund should refer to all governing documents of the applicable fund or contractual relationship for complete information regarding investment objectives and restrictions. There is no assurance that investment objectives will be achieved.

## **Item 5 – Fees and Compensation**

StepStone's fees are based upon the scope of the engagement and services required by the client and disclosed in each investment advisory agreement, or, if applicable, each private placement memorandum, limited partnership agreement or limited liability company agreement.

### **Private Equity Accounts**

StepStone has no basic fee schedule for Private Equity Accounts. All fees are negotiated on a client-by-client basis and are generally payable quarterly in advance or as otherwise negotiated.

StepStone will generally charge Private Equity Accounts a management fee quarterly, at an annual rate based on the capital commitments of the client to the account during the investment period and thereafter on net invested capital. In certain instances, the management fee may be based on funded capital rather than committed capital during the investment period and the management fee after the investment period may be charged on the fair market value of the investments or based on committed capital, albeit at lower percentage than that charged during the investment period when the management fee is based on committed capital after the investment period. Management fees are generally payable quarterly in advance and are debited by StepStone. Any partial period will generally be prorated for the number of days of service provided. In addition, clients may pay a StepStone affiliate performance-based compensation (i.e., a carried interest) based on the performance of the vehicle or program after exceeding a specified rate of return. The amounts of the fees will be stated in each investment advisory agreement or, if applicable, each limited partnership agreement or limited liability company agreement. Private Equity Accounts are also responsible for paying organizational expenses, auditing expenses, legal expenses and other expenses of the Private Equity Accounts. To the extent a Private Equity Account is invested in Investment Funds, such underlying funds will impose their own fees and an investor in such Private Equity Account will pay two levels of management fees and expenses.

#### *Termination Policy*

The procedures and conditions under which StepStone or a Private Equity Account may terminate an investment management agreement are described in the account agreement. Generally, a client will be able to terminate its investment management agreement with StepStone for cause and, in certain limited instances without cause upon written notice given within certain specified time periods. In such a case, the fees will be adjusted pro rata, unless otherwise agreed by the client in writing. Interests in Private Equity Accounts generally will not be transferable without obtaining the prior consent of the general partner or managing member of the vehicle. The investment time horizon for a Private Equity Account is generally 10 to 12 years, although certain vehicles may have a longer or shorter time horizon. In most cases, StepStone does not control the ability to liquidate assets of the underlying Investment Funds.

#### Non-Discretionary Advisory Services

StepStone will generally charge non-discretionary advisory clients an all-inclusive flat fee. Some agreements provide for additional payments to StepStone to the extent that agreed-upon targets for certain work product are exceeded and for special projects. All fees are negotiated on a client-by-client basis and are generally payable quarterly in advance. Any partial period will generally be prorated for the number of days of service provided. Clients are invoiced for fees.

#### *Termination Policy*

Non-discretionary advisory clients will generally be able to terminate the contractual relationship upon written notice given within certain specified time periods. In such a case, the fees will generally be adjusted pro rata, unless otherwise agreed by the client in writing.

#### Private Equity Monitoring & Reporting Services

StepStone will generally charge monitoring and reporting clients an all-inclusive flat fee. All fees are negotiated on a client-by-client basis and are generally payable quarterly in advance. Some agreements provide for additional payments to StepStone to the extent that agreed-upon targets for certain work product are exceeded and for special projects. Any partial period will be prorated for the number of days of service provided. Clients are invoiced for fees.

#### *Termination Policy*

Monitoring and reporting clients will generally be able to terminate the contractual relationship upon written notice given within certain specified time periods. In such a case, the fees will generally be adjusted pro rata, unless otherwise agreed by the client in writing.

#### Commingled or Pooled Investment Funds

Each Investment Fund, Secondary Fund, Fund of Private Equity Funds and Feeder Fund will generally pay StepStone a management fee quarterly, at an annual rate based on the aggregate capital commitments of the fund's investors during the investment period and thereafter on net invested capital. Management fees are generally payable quarterly in arrears, but in certain instances are payable quarterly in advance, in each case debited by StepStone. Any partial period will generally be prorated for the number of days of service provided. In addition to the management fee, an Investment Fund, Secondary Fund or Fund of Private Equity Funds may pay a StepStone affiliate performance fees (carried interest) based on the return of the fund and its investments, often only after exceeding a specified rate of return to the investors. The amount of the management fee and carried interest for a particular fund will be set forth in their respective confidential private placement memorandum, limited partnership or limited liability company agreement, investment advisory contract and other governing documents for that fund. StepStone has the power to direct the payment of management fees and carried interest by each Investment Fund, Secondary Fund, Fund of Private Equity Funds and Feeder Fund to StepStone or its affiliates pursuant to the terms set forth in the relevant confidential private placement memorandum, limited partnership or limited liability company agreement, investment advisory contract and other governing documents. Each Investment Fund, Secondary Fund, Fund of Private Equity Funds and Feeder Fund is also responsible for paying organizational expenses, auditing expenses, legal expenses and other expenses of such vehicle. By investing in a Secondary Fund, Feeder Fund or Fund of Private Equity Funds, investors receive professional management of a private equity fund portfolio consisting of one or more Investment Funds. Such underlying Investment Funds will

impose their own fees and expenses and an investor in a Secondary Fund, Feeder Fund or Fund of Private Equity Funds will pay two levels of fees and expenses.

### *Termination Policy*

The procedures and conditions under which StepStone or an Investment Fund, Secondary Fund, Feeder Fund or Fund of Private Equity Funds may terminate an investment management agreement are described in the relevant agreement. Generally, an Investment Fund, Secondary Fund, Feeder Fund or Fund of Private Equity Funds will be able to terminate its investment management agreement with StepStone for cause and, in certain instances without cause upon the affirmative vote of a supermajority of the fund's investors. In such a case, the fees will be adjusted pro rata. Interests in an Investment Fund, Secondary Fund, Feeder Fund and a Fund of Private Equity Funds generally will not be transferable without obtaining the prior consent of the general partner or managing member of the fund. The investment time horizon for an Investment Fund, Secondary Fund, Feeder Fund or a Fund of Private Equity Funds is generally 10 to 12 years, although certain funds may have a longer or shorter time horizon.

### Other Expenses

Investors in a Private Equity Account, Investment Fund, Secondary Fund, Feeder Fund or Fund of Private Equity Funds may incur other expenses, depending on the nature of the investment vehicle. For example, expenses may be assessed either at the fund or portfolio company level that include structuring, topping, breakup, monitoring, directors', organizational, set-up, closing, commitment, advisory, consulting, underwriting, investment banking, broker, and syndication expenses in connection with the purchase, monitoring or disposition of underlying investments. Expenses may also be incurred to compensate third party service providers such as attorneys, auditors, accountants and custodians. Payment for such expenses by the Private Equity Account, Investment Fund, Secondary Fund, Feeder Fund or Fund of Private Equity Funds is debited by StepStone.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

### Performance-Based Compensation

As mentioned in Item 5, the investment adviser or general partner of certain Private Equity Accounts, Investment Funds, Secondary Funds or Fund of Private Equity Funds is entitled to receive performance-based compensation (i.e., a carried interest) from investors in the partnership or limited liability company. The investment adviser or general partner receiving such carried interest may be an affiliate of StepStone or may be unaffiliated with StepStone. The carried interest allocation will be made in conformity with Section 205 of the 1940 Act and Rule 205-3 thereunder. See each funds' relevant



confidential private placement memorandum, limited partnership or limited liability company agreement, investment advisory contract and other governing documents for more detail.

The performance-based compensation may create an incentive for StepStone to cause the Private Equity Accounts, Investment Funds, Secondary Funds or Fund of Private Equity Funds to make investments which may be riskier or more speculative than those which would be made under a different compensation arrangement. In addition, the performance-based compensation may create an incentive for StepStone to allocate more profitable investments to such clients. However, StepStone has implemented procedures (including aggregation and allocation procedures, as discussed under Item 12 of this brochure) to ensure that all accounts are treated equitably over time.

#### Side-by-Side Management

StepStone has clients that are charged a performance-based fee by a StepStone affiliate, clients of which have overlapping investment objectives with other StepStone clients in which an unaffiliated special limited partner may receive carried interest as well as other StepStone clients which are charged a flat fee (such clients are limited to non-discretionary advisory clients). Certain StepStone employees may receive a portion of such carried interest payable to such unaffiliated special limited partner. In those cases in which an unaffiliated special limited partner receives carried interest, StepStone generally only manages and develops existing investments of the client and does not make new investments. Therefore, potential conflicts of interest relative to favoring accounts in which a StepStone affiliate charges a performance base fee should not arise. In the case of one Investment Fund in which an unaffiliated special limited partner may receive carried interest, the fund is eligible to make new investments. As noted above, StepStone has implemented procedures (including aggregation and allocation procedures, as discussed under Item 12 of this brochure) to ensure that all clients are treated equitably over time.

## **Item 7 – Types of Clients**

StepStone provides advice to a global mix of institutional investors including sophisticated corporate entities, pension funds, family offices, endowments & foundations, sovereign wealth funds, as well as private equity investment funds that invest in other partnerships, secondary partnership interests, co-investments alongside other investment partnerships and mezzanine instruments. The investors in these private funds include sophisticated high net worth individuals and a range of institutional investors.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

StepStone's analysis methods include fundamental financial analysis, and extensive due diligence examination and evaluation of each investment opportunity in terms of risk-reward analysis and in the context of each Fund's and or client objectives and constraints.

In selecting Investment Funds, monitoring performance, and performing on-going due diligence for Private Equity Accounts, non-discretionary advisory clients, Feeder Funds and Funds of Private Equity Funds, StepStone generally will consider (1) investment strategy and targeted sectors; (2) personnel and the fund's investment team; (3) track record and transactions done by the investment team; and (4) terms and fit with the client's objectives. StepStone also provides services on a limited basis solely to evaluate a particular Investment Fund opportunity without regard to fit with the client's objectives in those instances in which the client has expressly assumed the responsibility to determine fit of the investment opportunity with its objectives. Within each of these broad areas, an extensive list of issues, questions and metrics that are designed to assist StepStone in deciding whether to invest in a particular fund are used. Interviews with other investors and lenders and verification from independent professionals may also be undertaken.

StepStone's investment process utilizes extensive proprietary research to identify the segments of the private equity market that we project will out-perform over the next fund cycle (4 – 6 years). StepStone's portfolios are developed off this foundation of research. For instance, geographies and investment strategies are emphasized that the firm determines are positioned to out-perform. Furthermore, StepStone's analysis of private equity managers incorporates the firm's view of the type of strategic focus that will be best positioned to capitalize on the anticipated market and economic conditions we project will exist over the next fund cycle (e.g., operational focused managers, investments driven by financial engineering, industry focused strategies, value or growth oriented investors, etc.).

StepStone utilizes its research to over-allocate/under-allocate to specific strategies and geographies within an overall framework of a diversified portfolio. The goal is to construct a portfolio expected to generate returns in excess of index-based returns and avoid the return dilution of over-diversification. This allocation strategy driven by manager and investment selection provides the framework for our selection of specific fund investments, secondary purchases and co-investments.

In the evaluation of co-investment or mezzanine investment opportunities, StepStone believes that its investment and decision processes are key to generating appropriate returns. In selecting co-investment or mezzanine investment opportunities, StepStone will review a number factors before making an investment decision which often includes: historical financial information and projected results; industry information and the company's position; business strategy and potential for growth; the capitalization of the company and impact of leverage; analysis of third-party business consulting, legal and accounting firms; comparable company valuations; the ability to exit the investment within

a reasonable time frame; and previous transactions of similar companies. StepStone will also evaluate the private equity manager leading the transaction to determine whether the firm believes the manager is capable of creating value for the investment through expertise in the industry or the appropriate personnel.

StepStone's analysis of potential investments in secondary assets incorporates the analysis of Investment Funds referenced above as well as the review of the managers of those Investment Funds. For secondary transactions, the Investment Funds are often partially or largely invested in which case StepStone conducts a review of the underlying investments made by the Investment Fund to project an expected return from the investments. StepStone also evaluates the ability of the manager to invest any remaining capital commitment at appropriate returns. StepStone also believes that the ability to negotiate and execute a transaction at the appropriate pricing level is key to the ultimate return.

With respect to certain Investment Funds, Fund of Funds and Feeder Funds to which StepStone is the investment adviser and of which affiliates of Citigroup Inc. were the original sponsors, Lexington Alternative Investments LLC ("Lexington") is a non-discretionary sub-advisor with respect to such funds. Lexington-affiliated funds are invested in such funds as well. Lexington does not have the authority to bind (or act as agent of) StepStone or any of the funds.

## **Risks**

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 or that the fund/client will be able to fully invest its committed capital and there is a substantial risk that the fund/client losses and expenses will exceed its income and gains. StepStone's investment strategies may involve a high level of risk, including, among others, the risk of loss of part or all of the capital invested. Investing in securities involves risk of loss that clients should be prepared to bear.

No Assurance of Investment Returns. There can be no assurance that the fund/client will be able to invest its capital with attractive terms or generate returns. The fund's/client's returns, if any, may be unpredictable.

Long Duration of Investment. The time horizon of private equity investments is often 10 to 12 years or more.

Restrictions on Transfer and Withdrawal; Illiquidity of Interests. Interests in funds or separately managed accounts are highly illiquid and should only be acquired by an investor who is 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.

Risk Associated with Portfolio Companies. The environment in which the fund/client directly or indirectly invests will sometimes involve a high degree of business and financial risk.

Limited or No Control over Portfolio Companies. StepStone generally will not seek control over the management of the portfolio companies in which the fund/client directly or indirectly invests, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

Multiple Levels of Expenses, Fees and Carried Interest. In addition to the management fee and carried interest payable to StepStone or its affiliates and the expenses of the fund or separately managed account, underlying portfolio partnerships will typically have similar, and most likely higher, levels of management fees, carried interest and expenses than the fund/separately managed account managed by StepStone which will further reduce return on invested capital and, consequently, will lower any returns to investors.

Leverage in Underlying Funds. The fund/client may invest in underlying funds which use borrowings to finance investments or to meet operating expenses. Borrowings within the capital structure of the investment may be subject to lending covenants enforceable by a third party. In certain cases, the third party may be able to exert control over the investments.

Investments in mezzanine or debt securities. Investments made in mezzanine or debt related securities are subject to credit risk and returns may be impacted by the ability to meet performance requirements or covenants. As a lender within the capital structure, there may be cases in which StepStone, on behalf of its investors, plays a meaningful role in the restructuring decisions of a portfolio company. Certain investments made in mezzanine and/or debt instruments may be subject to covenants enforced by a third party lender within the capital structure. In these situations, the third party may be able to exert control over the investments if certain performance requirements or covenants are not achieved.

With respect to each Investment Fund, Secondary Fund, Feeder Fund or Fund of Private Equity Funds sponsored by StepStone, a more comprehensive list of risks is included in such fund's private placement memorandum.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of StepStone or the integrity of StepStone's management. StepStone has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

### Affiliated Companies

StepStone acts as the Investment manager for a number of private funds, serves as managing member or sole equity holder of the general partner of such funds, and receives carried interest based upon the profits of such funds. StepStone's affiliated general partner entities are wholly owned subsidiaries and include: StepStone Atlantic (GP), LLC; StepStone Secondaries (GP), LLC; StepStone AZ Secondaries (GP), LLC; StepStone PPL Secondaries (GP), LLC; StepStone OH GP, LLC; StepStone Co-Investment Funds GP, LLC; StepStone Diversified Funds GP, LLC; and StepStone CGC Opportunities (GP), Ltd. Further, StepStone serves as the manager of certain transaction-specific entities (SilverStone I, LLC and SilverStone II, LLC) and one of the firm's Private Equity Accounts, CCR/PE, LLC.

Foreign affiliates include StepStone Group (HK) Limited; StepStone Group (Beijing) Investment Advisory Co., Limited; and StepStone Group Europe Limited.

The sole compensation received by StepStone and its management persons is for investment advisory services. StepStone is not a broker-dealer, commodity pool operator, commodity trading adviser or futures commission merchant and none of its management persons are associated representatives of a broker-dealer or such other regulated entities. As a result, there is no conflict regarding the receipt of related compensation that might otherwise be associated with the ability to receive such related compensation in connection with StepStone's investment advisory services.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

To avoid potential conflicts of interest involving trading, StepStone has adopted a Code of Ethics, as amended from time to time (the "Code"), the fundamental principles of which are that (i) the interests of clients must always come first, (ii) StepStone employees must not take inappropriate advantage of their positions and (iii) both actual and potential conflicts of interest must be avoided at all times. Among other things, the Code:

- Requires employees to comply with applicable provisions of the federal securities laws;
- Prohibits certain purchases and sales of securities;
- Prohibits the making of certain recommendations of purchases or sales to or for a client;
- Requires employees to report personal securities transactions on at least a quarterly basis;
- Requires employees to provide StepStone with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which

such employees have a direct or indirect beneficial interest, together with quarterly delivery of statements for all covered accounts; and

- Provides for the imposition of certain sanctions against employees who violate the Code.

Notwithstanding the foregoing, StepStone, and/or their officers, directors or employees may purchase for themselves similar or different securities as are purchased or recommended for clients of StepStone and different securities or transactions may be affected or recommended for different investment advisory clients of StepStone.

A copy of the Code shall be provided to any client or prospective client upon request.

StepStone's policy and practice is that the firm may engage in principal transactions, however any such transactions may only be effected if proper written disclosures are provided, client consents obtained and appropriate records maintained.

StepStone's policy and practice is that the firm may engage in agency cross transactions. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as an agent or broker for both the advisory client and for another person on the other side of the transaction (SEC Rule 206(3)-2(b)). Any such transactions may only be effected, however, if appropriate written client consent is obtained, proper disclosures provided, and appropriate client reporting and necessary records maintained.

StepStone recommends and executes appropriate investments to existing clients in certain of the funds in which StepStone receives a management fee, makes an investment in such funds, and in some cases shares in the profits of such funds. Pursuant to the relevant partnership agreements, StepStone typically makes an investment in such funds equal to a small percentage of aggregate capital of the limited partners and is therefore indirectly invested in each of the securities purchased by such funds.

## **Item 12 – Brokerage Practices**

The vast majority, if not all, of the investments made by StepStone clients are in non-registered securities (e.g., direct participation securities) offered in private placements (typically without the services of a broker-dealer, though in some instances an issuer utilizes a placement agent registered as a broker-dealer). In certain cases where StepStone is required to select brokers or dealers for transactions on behalf of a sponsored fund or other client (e.g., in connection with a sale of stock of a portfolio company of an Investment Fund in which client is invested which has been distributed in-kind to the client by the Investment Fund), StepStone takes several factors into account in doing so, including the financial stability and reputation of the broker or dealer, the quality of the services provided by the broker or dealer, and any special execution capabilities of the broker or

dealer. StepStone does not necessarily choose a broker or dealer based on the lowest available commission cost or spread.

StepStone has a fiduciary and fundamental duty to seek best execution for client transactions. StepStone as a matter of policy and practice, seeks to obtain best execution for client transactions, i.e., seeking to obtain not necessarily the lowest commission but the best overall qualitative execution in the particular circumstances. As mentioned above, StepStone is primarily engaged in the purchase of private securities and therefore it is very unusual for broker-dealers to be utilized for the purchase and/or sale of securities made or recommended by the firm. StepStone has adopted procedures to implement the firm's policy and reviews to monitor and insure the firm's policy is observed, implemented properly and amended or updated, as appropriate.

StepStone may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Any client instructions to StepStone are to be in writing with appropriate disclosures that for any directed brokerage arrangements StepStone will not negotiate commissions, may not obtain volume discounts or aggregate directed transactions, and that commission charges will vary among clients and best execution may not be obtained.

StepStone does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers, or third parties, on a soft dollar commission basis.

## **Item 13 –Review of Accounts**

### Reviews

All accounts are reviewed at least annually and more frequently if necessary by the senior investment professionals of StepStone, including members of the Investment Committee, as necessary. Senior professionals are typically assigned not more than six client accounts for maintenance and review.

### Reports

An analysis, review and status of the client's investment portfolio managed by StepStone is typically provided to clients on a quarterly and annual basis, or as otherwise agreed with the client.

## **Item 14 – Client Referrals and Other Compensation**

StepStone may compensate persons, i.e., individuals or entities, for the referral of advisory clients to the firm provided appropriate disclosures and regulatory requirements are met. Interests in certain StepStone-sponsored Investment Funds, Feeder Funds and Fund of Private Equity Funds were placed with clients of select private wealth advisers through such advisers' affiliated broker-dealers and such broker-dealers receive a portion of the management fees and, in some cases, carried interest payable by such Investment Funds, Feeder Funds and Fund of Private Equity Funds.

Neither StepStone nor its affiliates will typically receive placement fees for placing interests in Investment Funds with its clients. StepStone may receive from an Investment Fund, Secondary Fund, Feeder Fund, Fund of Private Equity Funds or a Private Equity Account fees (the amount of which will be specified in the agreement) for the provision of administrative services, the responsibility for all or a portion of which may be subcontracted to other parties. Affiliates of StepStone also may have relationships with, and provide certain services to, an Investment Fund for which the affiliate receives compensation. Representatives of StepStone may serve as directors or consultants to portfolio companies of StepStone-sponsored Investment Funds and StepStone may be compensated by such portfolio companies for such services or otherwise receive a transaction fee from such portfolio company. Such compensation is either partially or fully set-off against management fees otherwise payable to StepStone by the Investment Fund.

## **Item 15 – Custody**

As an adviser with custody, StepStone's general policy is to ensure that client funds and securities are maintained with "qualified custodians" which provide at least quarterly account statements (unless an exemption is available) directly to StepStone clients (or underlying investors in StepStone sponsored funds) or a selected "independent representative."

As a result of its affiliation with the general partner to the StepStone-sponsored private funds, StepStone is deemed to have custody of the private funds' assets. Pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, StepStone maintains compliance by ensuring that each sponsored private fund:

- is audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.
- distributes audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other



beneficial owners) within 120 days of the end of the fiscal year of the applicable Investment Fund or Private Equity Accounts invested in primarily in portfolio companies or 180 days for Secondary Funds, Feeder Funds, Fund of Private Equity Funds or Private Equity Accounts invested primarily in Investment Funds.

StepStone does not maintain custody of private equity monitoring and reporting clients' assets. Private equity monitoring and reporting clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. StepStone urges you to carefully review such statements and compare such official custodial records to the account statements that StepStone may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16 – Investment Discretion**

When serving as the investment manager and managing member of the general partner of partnerships discussed above, StepStone has the authority to determine what securities the partnerships should buy or sell and what brokers or dealers the partnerships should use. The vast majority, if not all, of the investments made by the partnerships are in non-registered securities (e.g. direct participation securities) offered in private placements without the services of a broker dealer. Consequently, while StepStone has the authority to select brokers or dealers, such authority is seldom exercised.

As discussed in Item 4, StepStone may also provide non-discretionary sub-advisory services as well as non-discretionary private equity monitoring and reporting services.

## **Item 17 – Voting Client Securities**

StepStone has adopted written proxy voting policies and procedures ("Proxy Voting Procedures"). StepStone, as a matter of policy and as a fiduciary to its clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. The firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. StepStone's policy and practice includes the responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. With respect to Private Equity Accounts, clients are permitted to place reasonable restrictions on StepStone's voting authority in the same manner that they may place such restrictions on the actual selection of account securities by delivery of written notice to

StepStone and such instructions will be followed in all instances (including those instances in which StepStone votes proxies for the same portfolio securities on behalf of another client).

StepStone will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of StepStone with the issuer of each security to determine if StepStone or any of its employees has any financial, business or personal relationship with the issuer. If a material conflict of interest exists, StepStone's Chief Compliance Officer will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation. StepStone will maintain a record of the voting resolution of any conflict of interest.

Proxy Voting Procedures shall be made available to any client or prospective client upon request.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about StepStone's financial condition. StepStone has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.