

PDI Germany Forum 2024

Panel discussion

October 15, 2024

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All data is as of September 2024, unless noted otherwise.



Has the secondaries market finally come of age?



Marcel Schindler
Head StepStone Private Debt,
Partner, StepStone Group



Joaquin Ardit
Senior Portfolio Manager, Allianz
Global Investors



Michael Schad
Head of Collar Credit Secondaries,
Partner, Coller Capital



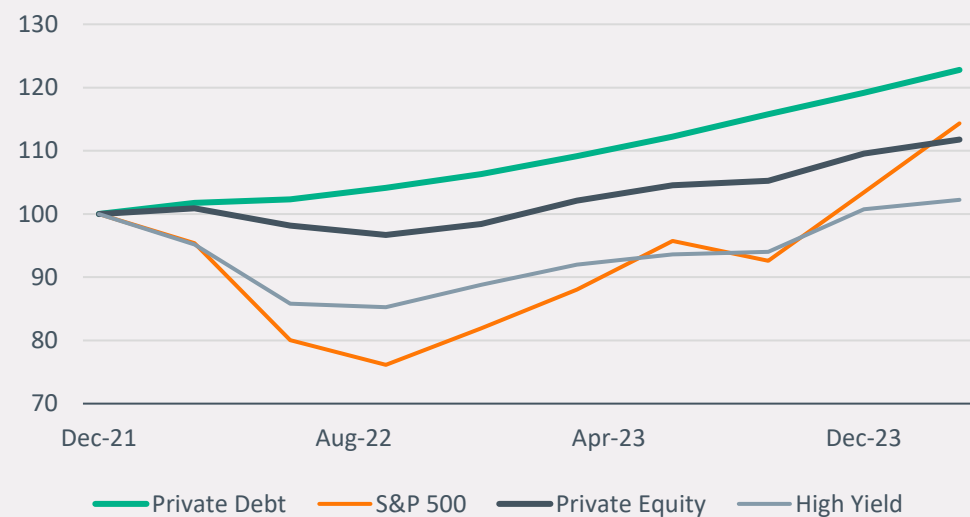
Bernard Galea
Principal, Private Credit
Secondaries, Pantheon



The decade of debt: what happened since 2022?

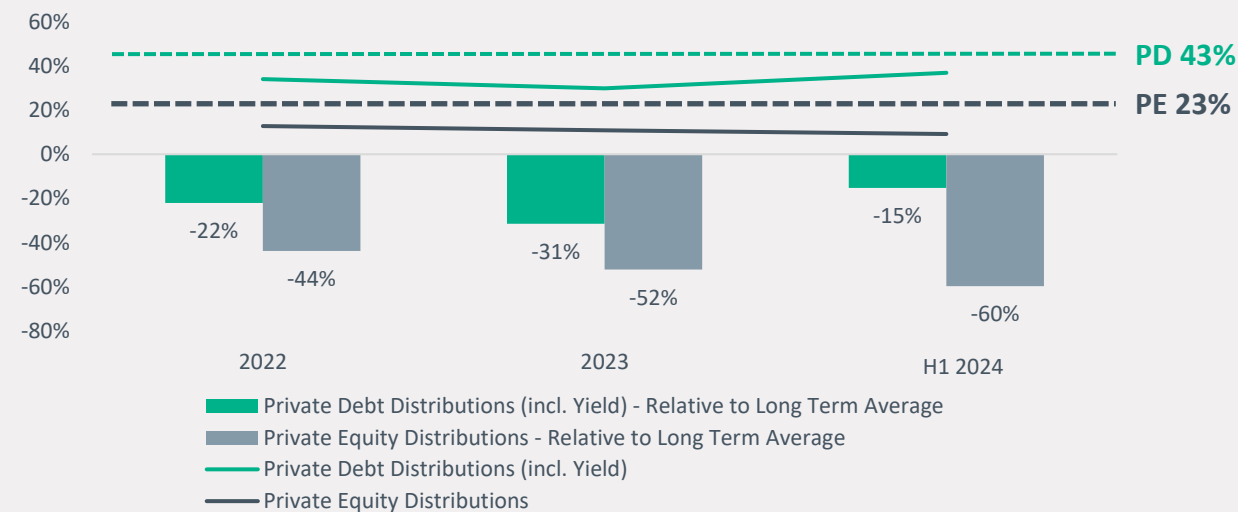


Cumulative performance



Private Debt and Private Equity distributions

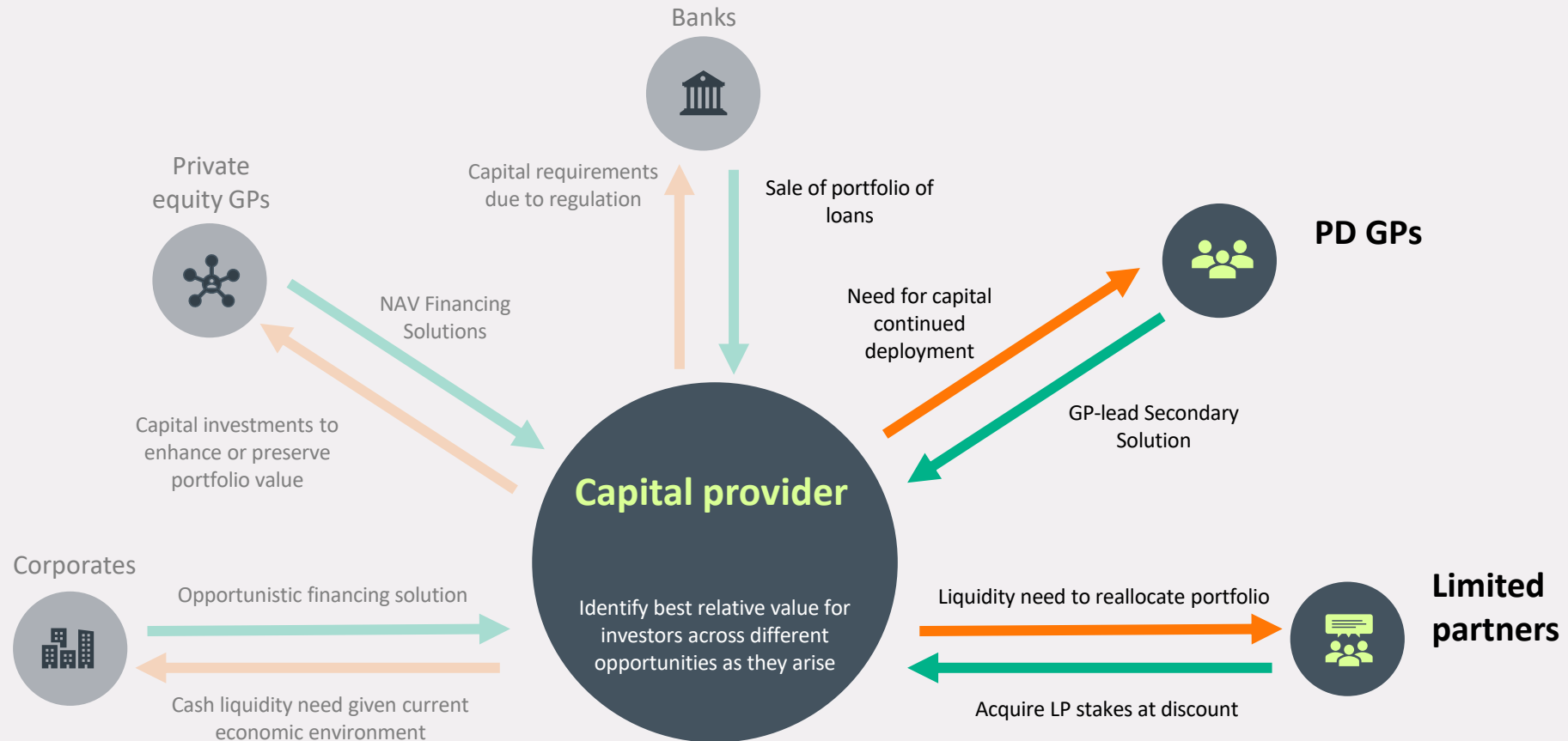
Variance from the long-term average



Source: StepStone Research. Full dataset and average annual distributions calculation covers from Q4 1999 to Q2 2024.

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.

Need for liquidity and dislocation can occur across the private market's ecosystem



Optionality from dislocation

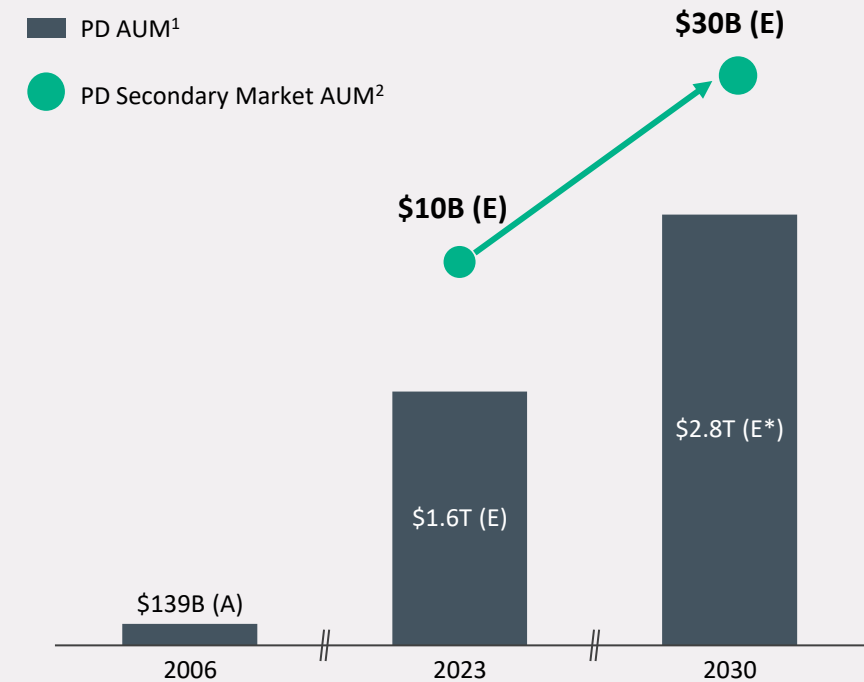
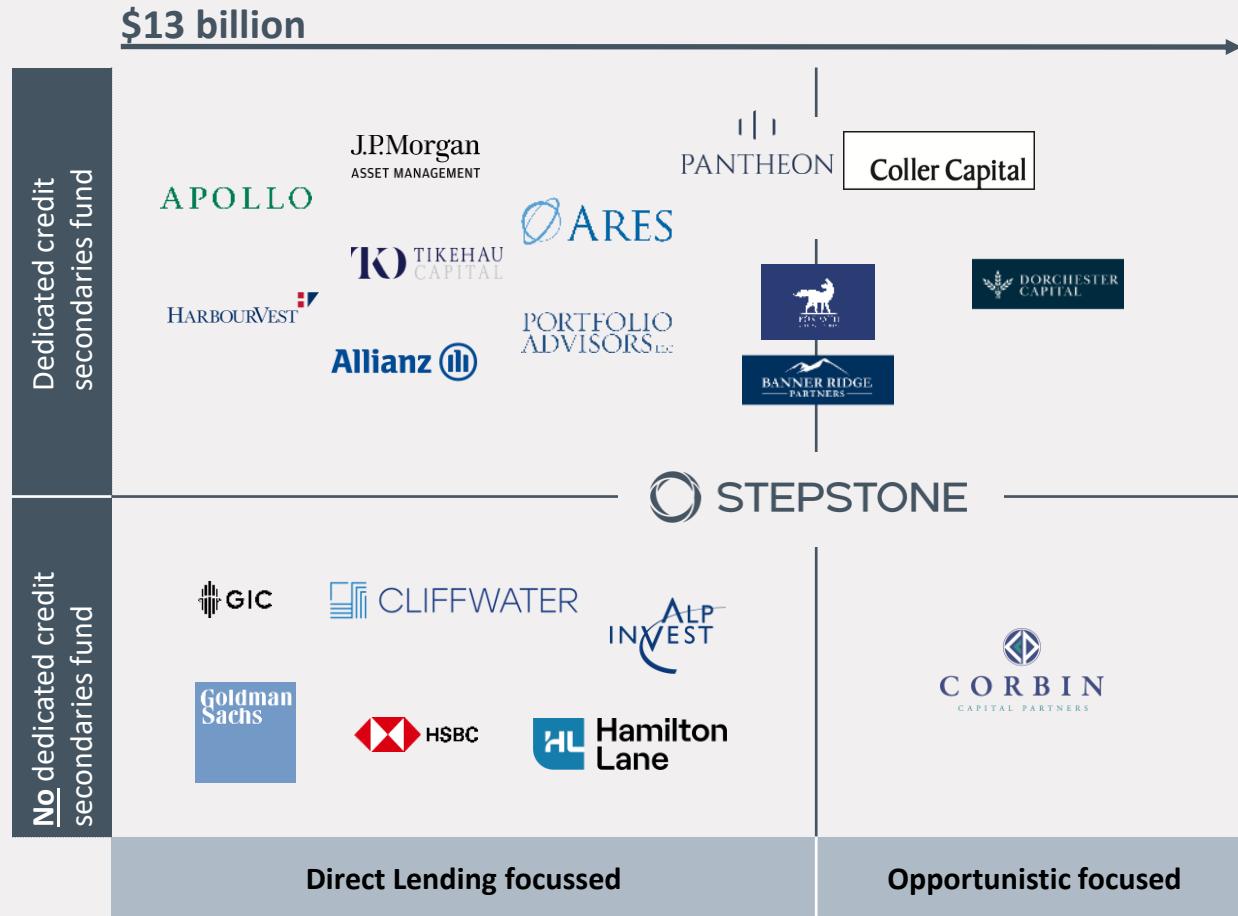


Supply demand dynamics drive investment opportunity

- Dislocation –Stakeholder's Capital Need
- Potential Transaction Solving Capital Need

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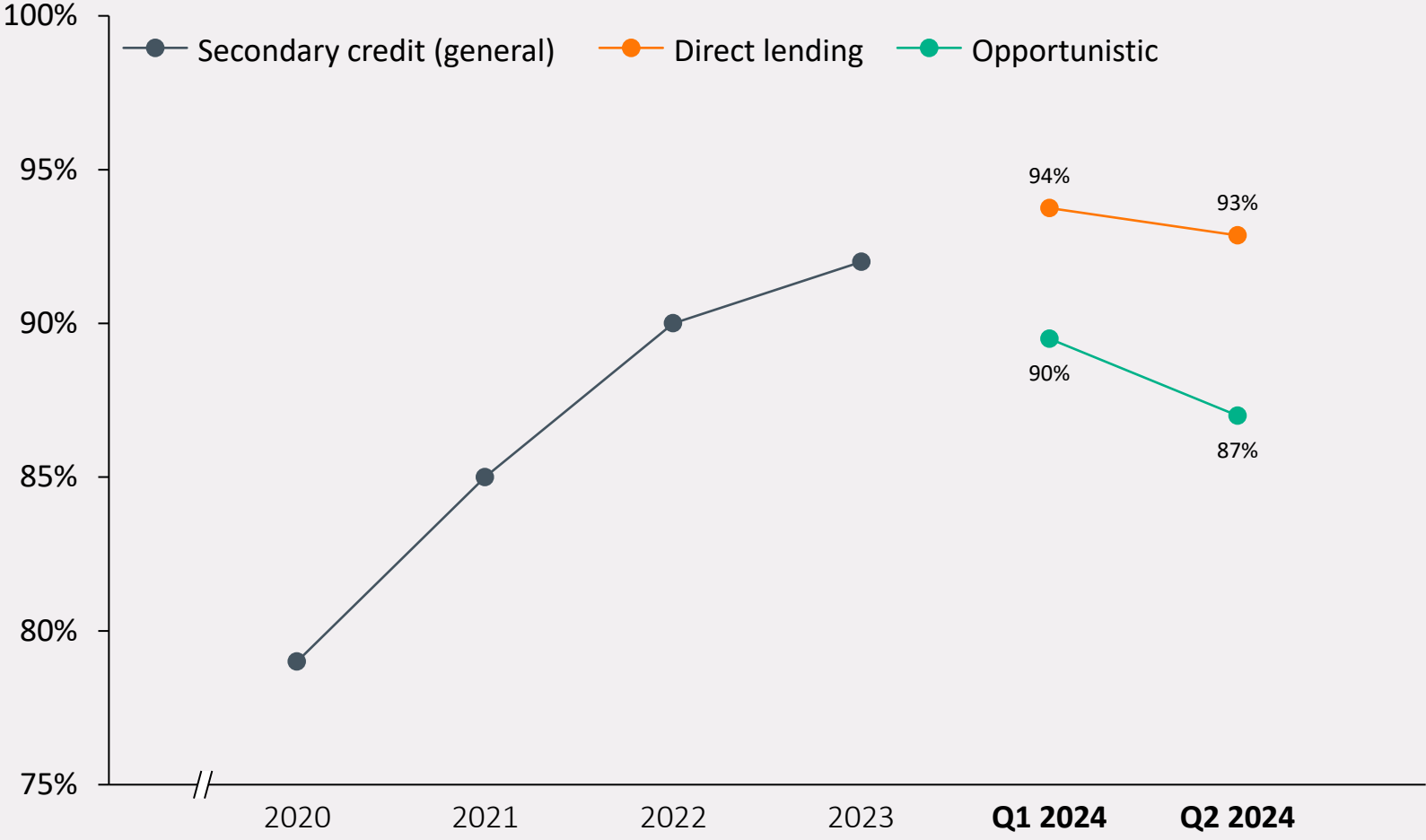
Private debt secondaries opportunity



Indicative per StepStone Research and SPI by StepStone. Values represent fund-level LP-commitments. Preqin and First Avenue Analysis, May 2023.

* 2006 actual figure per Preqin, and 2028 estimate figure provided by Preqin estimates. 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.

Private debt secondaries pricing

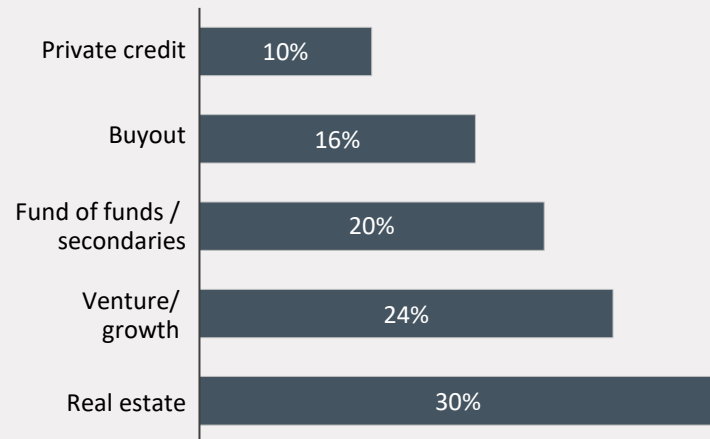


Source: PJT FY 2023 Secondary Market Insight.
2024 H1 per SSG Research and SPI database.

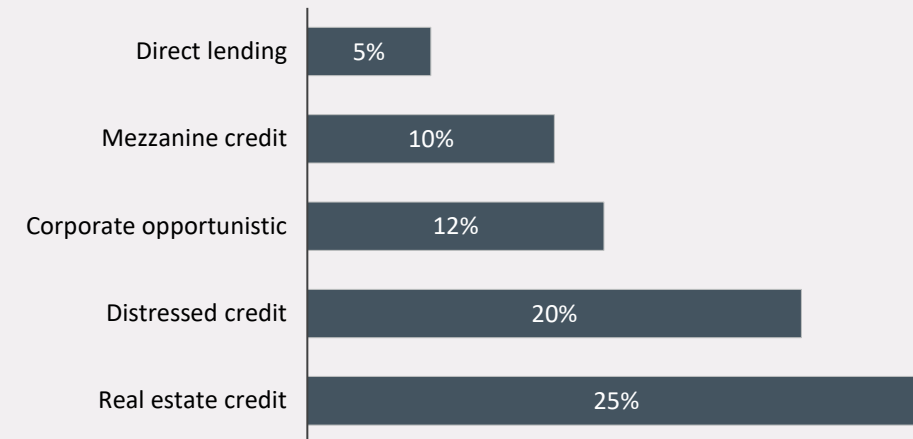
Market snapshot: 2024

Relative to other asset classes, private credit has been the most cost-effective liquidity source for LPs

Discount to NAV private markets



Discount to NAV private debt strategies



Discount idiosyncrasy

Discounts represent the price paid, but are a function of multiple factors (which can influence the discount positively or negatively), including:

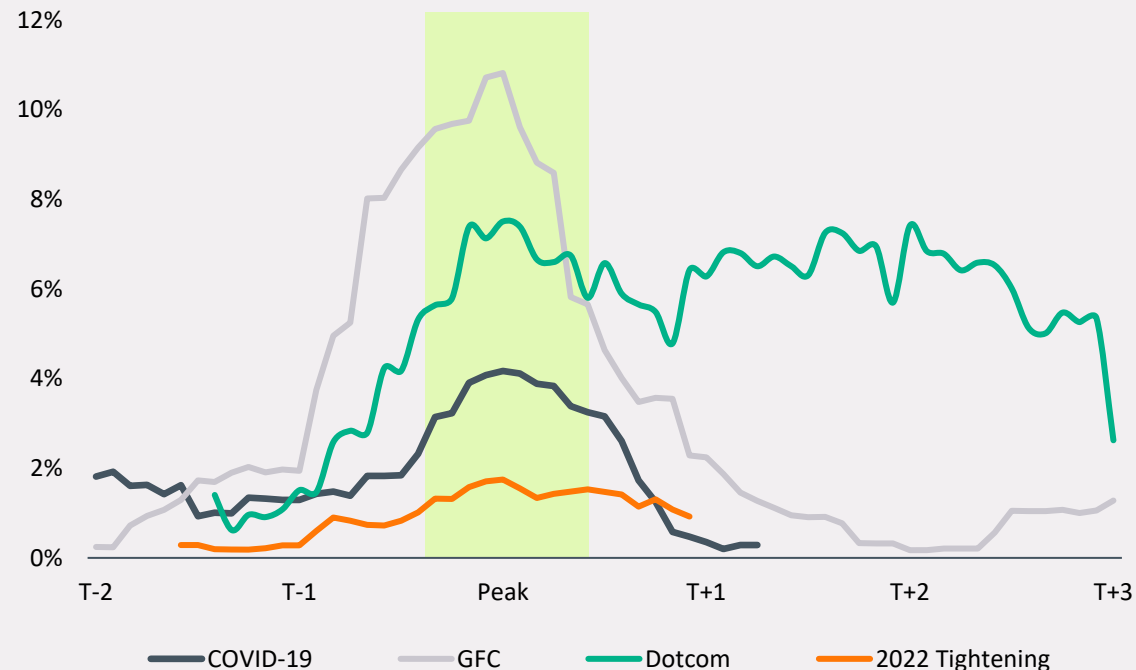
Unfunded commitment	Remaining term	Payment form (cash or deferral)
Interim cash flows	Fund concentration	Buyer's cost of capital
Relationship with GP and strategy	Presence of primary staple	Seller motivation

For illustrative purposes only.

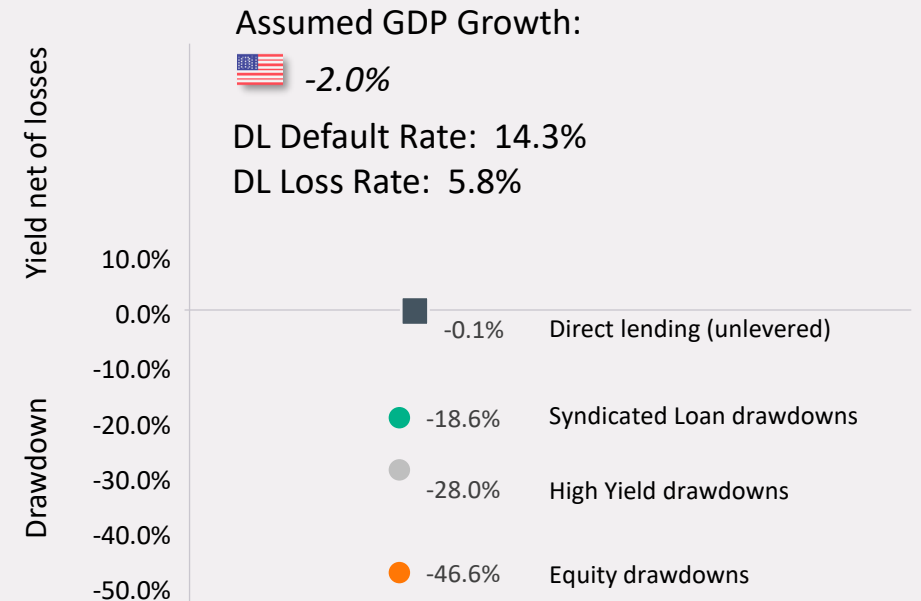
Source: Greenhill (Global Secondary Market Review Full Year 2023) and StepStone research.

Private debt proving resilient

▶ A comparison of credit default cycles in the leveraged loan market



▶ Hard landing scenario



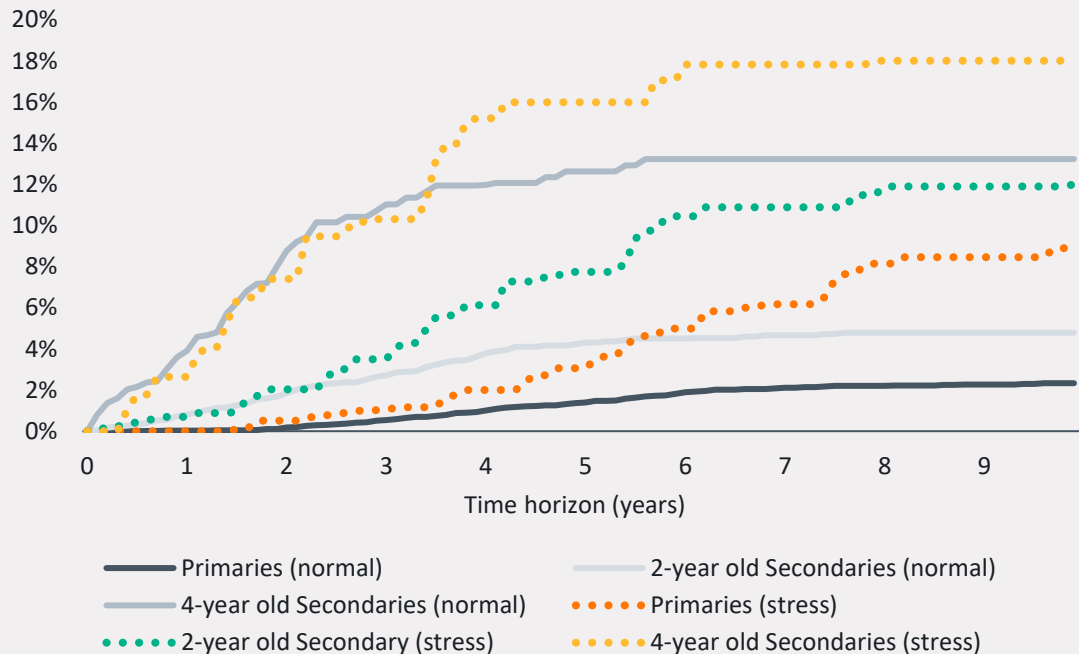
LCD as of June 2024. Sample of loans used in the stress testing consists of more than 400 borrowers and the underlying loans are almost exclusively first lien. Source: StepStone Analysis, as of July 2024. SSL price decline is estimated using historic relationship between credit losses and price declines, HY and equity price declines are derived from market betas relative to SSL. For actual market data Credit Suisse indices and SPX is used. For illustrative purposes only. The opinions expressed herein reflect the current opinions of StepStone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

Private debt secondaries underwriting challenges

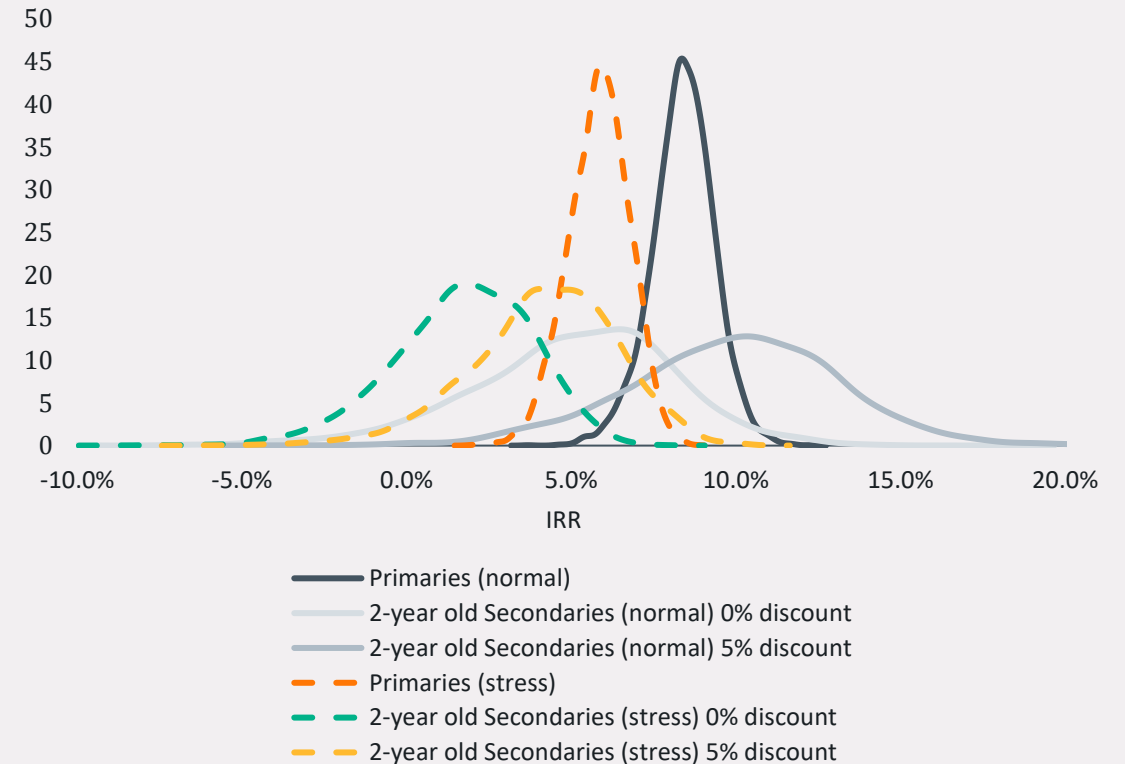
Secondaries portfolio face higher loss rates...

.... and generally higher IRR dispersion

Cumulative loss rate



IRR distribution



Source: Stepstone calculations based on Stepstone's proprietary loans database

The stressed scenario is derived from track record data for the 2004–2008 vintage cohort, while the normal scenario is based on data from the 2009–2018 vintage cohort. 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.

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