UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023
or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________________________ to ____________________________

Commission file number 001-39510

STEPSTONE GROUP INC.

(Exact name of Registrant as specified in its charter)

Delaware	**84-3868757**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 Lexington Avenue, 31st Floor New York, NY	**10017**
(Address of principal executive offices)	(Zip Code)

(212) 351-6100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.001 par value per share	**STEP**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: As of August 2, 2023, there were 62,834,871 shares of the registrant's Class A common stock, par value $0.001, and 46,420,141 shares of the registrant's Class B common stock, par value $0.001, outstanding.

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This quarterly report on Form 10-Q ("Form 10-Q") includes certain information regarding the historical investment performance of our focused commingled funds and separately managed accounts. An investment in shares of our Class A common stock is not an investment in any StepStone Fund (as defined below). The StepStone Funds are separate, distinct legal entities that are not our subsidiaries. In the event of our bankruptcy or liquidation, you will have no claim against the StepStone Funds. In considering the performance information relating to the StepStone Funds contained herein, current and prospective Class A common stockholders should bear in mind that the performance of the StepStone Funds is not indicative of the possible performance of shares of our Class A common stock and also is not necessarily indicative of the future results of the StepStone Funds, even if fund investments were in fact liquidated on the dates indicated, and we cannot assure you that the StepStone Funds will continue to achieve, or that future StepStone Funds will achieve, comparable results.

Unless otherwise indicated or the context otherwise requires:

- "**StepStone Group Inc.**" or "**SSG**" refers solely to StepStone Group Inc., a Delaware corporation, and not to any of its subsidiaries;

- the "**Partnership**" refers solely to StepStone Group LP, a Delaware limited partnership, and not to any of its subsidiaries;

- "**General Partner**" refers to StepStone Group Holdings LLC, a Delaware limited liability company, and the sole general partner of the Partnership;

- "**we**," "**us**," "**our**," the "**Company**," "**our company**," "**StepStone**" and similar terms refer to SSG and its consolidated subsidiaries, including the Partnership;

- "**StepStone Funds**" or "**our funds**" refer to our focused commingled funds and our separately managed accounts, including acquired Greenspring funds, for which we act as both investment adviser and general partner or managing member;

- references to the "**Greenspring acquisition**" refer to the acquisition of Greenspring Associates, Inc. and certain of its affiliates ("**Greenspring**") that was completed on September 20, 2021;

- references to "**FY**," "**fiscal**" or "**fiscal year**" are to the fiscal year ended March 31 of the applicable year;

- references to the "**Reorganization**" refer to the series of transactions immediately before the Company's initial public offering ("**IPO**"), which was completed on September 18, 2020;

- references to "**private markets allocations**" or "**total capital responsibility**" refer to the aggregate amount of our assets under management ("**AUM**") and our assets under advisement ("**AUA"**);

- references to "**high-net-worth**" individuals refer to individuals with net worth of over $5 million, excluding primary residence;

- references to "**mass affluent**" individuals refer to individuals with annual income over $200,000 or net worth between $1 million and $5 million, excluding primary residence; and

- references to "**Consolidated Funds**" refer to the StepStone Funds that we are required to consolidate as of the applicable reporting period.

TRADEMARKS, SERVICE MARKS AND TRADE NAMES

We own or have rights to trademarks, service marks or trade names that we use in connection with the operation of our business. In addition, our names, logos and website names and addresses are owned by us or licensed by us. We also own or have the rights to copyrights that protect the content of our solutions. Solely for convenience, the trademarks, service marks, trade names and copyrights referred to in this Form 10-Q are listed without the ©, ® and ™ symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks, trade names and copyrights.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical fact, including statements regarding guidance, industry prospects or future results of operations or financial position made in this Form 10-Q are forward-looking. We use words such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “future,” “intend,” “may,” “plan” and “will” and similar expressions to identify forward-looking statements. Forward-looking statements reflect management’s current plans, estimates and expectations and are inherently uncertain. The inclusion of any forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated will be achieved. Forward-looking statements are subject to various risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from those in forward-looking statements include, but are not limited to, global and domestic market and business conditions, our successful execution of business and growth strategies and regulatory factors relevant to our business, as well as assumptions relating to our operations, financial results, financial condition, business prospects, growth strategy and liquidity and the risks and uncertainties described in greater detail under “Risk Factors” in Part I, Item 1A of our annual report on Form 10-K for the fiscal year ended March 31, 2023 and in our subsequent reports filed from time to time with the U.S. Securities and Exchange Commission (“SEC”), which are accessible on the SEC’s website at www.sec.gov. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this Form 10-Q and in our other periodic filings. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

StepStone Group Inc.
Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share amounts)

	As of	
	June 30, 2023	**March 31, 2023**
Assets		
Cash and cash equivalents	$ 91,733	$ 102,565
Restricted cash	699	955
Fees and accounts receivable	46,091	44,450
Due from affiliates	62,365	54,322
Investments:		
Investments in funds	122,149	115,187
Accrued carried interest allocations	1,277,783	1,227,173
Legacy Greenspring investments in funds and accrued carried interest allocations[(1)]	745,586	770,652
Deferred income tax assets	38,910	44,358
Lease right-of-use assets, net	100,531	101,130
Other assets and receivables	44,889	44,060
Intangibles, net	343,983	354,645
Goodwill	580,542	580,542
Assets of Consolidated Funds:		
Cash and cash equivalents	35,497	25,997
Investments, at fair value	39,188	30,595
Other assets	836	772
Total assets	$ 3,530,782	$ 3,497,403
Liabilities and stockholders' equity		
Accounts payable, accrued expenses and other liabilities	$ 91,322	$ 89,396
Accrued compensation and benefits	92,521	66,614
Accrued carried interest-related compensation	668,704	644,517
Legacy Greenspring accrued carried interest-related compensation[(1)]	593,670	617,994
Due to affiliates	199,407	205,424
Lease liabilities	116,175	121,224
Debt obligations	98,468	98,351
Liabilities of Consolidated Funds:		
Other liabilities	354	566
Total liabilities	1,860,621	1,844,086
Commitments and contingencies (Note 14)		
Redeemable non-controlling interests in Consolidated Funds	41,618	24,530
Stockholders' equity:		
Class A common stock, $0.001 par value, 650,000,000 authorized; 62,834,871 and 62,834,791 issued and outstanding as of June 30, 2023 and March 31, 2023, respectively	63	63
Class B common stock, $0.001 par value, 125,000,000 authorized; 46,420,141 and 46,420,141 issued and outstanding as of June 30, 2023 and March 31, 2023, respectively	46	46
Additional paid-in capital	612,799	610,567
Retained earnings	152,612	160,430
Accumulated other comprehensive income	439	461
Total StepStone Group Inc. stockholders' equity	765,959	771,567
Non-controlling interests in subsidiaries	37,678	36,380
Non-controlling interests in legacy Greenspring entities[(1)]	151,916	152,658
Non-controlling interests in the Partnership	672,990	668,182
Total stockholders' equity	1,628,543	1,628,787
Total liabilities and stockholders' equity	$ 3,530,782	$ 3,497,403

(1) Reflects amounts attributable to consolidated VIEs for which the Company did not acquire any direct economic interests. See note 5 for more information.

See accompanying notes to condensed consolidated financial statements.

StepStone Group Inc.
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands)

The following presents the portion of the condensed consolidated balances presented above attributable to consolidated variable interest entities.

	As of	
	June 30, 2023	March 31, 2023
Assets		
Cash and cash equivalents	$ 38,487	$ 25,959
Restricted cash	699	955
Fees and accounts receivable	43,408	39,996
Due from affiliates	15,912	14,061
Investments in funds	33,585	31,569
Legacy Greenspring investments in funds and accrued carried interest allocations	745,586	770,652
Deferred income tax assets	454	451
Lease right-of-use assets, net	16,291	15,084
Other assets and receivables	11,545	8,101
Assets of Consolidated Funds:		
Cash and cash equivalents	35,497	25,997
Investments, at fair value	39,188	30,595
Other assets	836	772
Total assets	$ 981,488	$ 964,192
Liabilities		
Accounts payable, accrued expenses and other liabilities	$ 18,166	$ 13,444
Accrued compensation and benefits	41,994	29,869
Legacy Greenspring accrued carried interest-related compensation	593,670	617,994
Due to affiliates	5,522	4,962
Lease liabilities	16,809	15,883
Liabilities of Consolidated Funds:		
Other liabilities	354	566
Total liabilities	$ 676,515	$ 682,718

See accompanying notes to condensed consolidated financial statements.

StepStone Group Inc.
Condensed Consolidated Statements of Income (Loss) (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended June 30,	
	2023	2022
Revenues		
Management and advisory fees, net	$ 138,115	$ 116,732
Performance fees:		
Incentive fees	6	—
Carried interest allocations:		
Realized	14,473	73,607
Unrealized	49,364	(113,950)
Total carried interest allocations	63,837	(40,343)
Legacy Greenspring carried interest allocations(1)	(23,947)	(153,607)
Total revenues	178,011	(77,218)
Expenses		
Compensation and benefits:		
Cash-based compensation	70,081	60,061
Equity-based compensation	8,472	3,714
Performance fee-related compensation:		
Realized	9,102	41,735
Unrealized	24,211	(54,553)
Total performance fee-related compensation	33,313	(12,818)
Legacy Greenspring performance fee-related compensation(1)	(23,947)	(153,607)
Total compensation and benefits	87,919	(102,650)
General, administrative and other	33,277	34,232
Total expenses	121,196	(68,418)
Other income (expense)		
Investment income (loss)	3,086	(1,101)
Legacy Greenspring investment loss(1)	(2,866)	(8,604)
Investment income of Consolidated Funds	2,362	—
Interest income	431	11
Interest expense	(2,012)	(587)
Other income (loss)	227	(1,104)
Total other income (expense)	1,228	(11,385)
Income (loss) before income tax	58,043	(20,185)
Income tax expense	8,597	1,286
Net income (loss)	49,446	(21,471)
Less: Net income attributable to non-controlling interests in subsidiaries	9,630	7,571
Less: Net loss attributable to non-controlling interests in legacy Greenspring entities(1)	(2,866)	(8,604)
Less: Net income (loss) attributable to non-controlling interests in the Partnership	19,860	(9,398)
Less: Net income attributable to redeemable non-controlling interests in Consolidated Funds	1,553	—
Net income (loss) attributable to StepStone Group Inc.	$ 21,269	$ (11,040)
Net income (loss) per share of Class A common stock:		
Basic	$ 0.34	$ (0.18)
Diluted	$ 0.34	$ (0.18)
Weighted-average shares of Class A common stock:		
Basic	62,834,818	61,144,139
Diluted	65,739,470	61,144,139

(1) Reflects amounts attributable to consolidated VIEs for which the Company did not acquire any direct economic interests. See notes 3 and 5 for more information.

See accompanying notes to condensed consolidated financial statements.

StepStone Group Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in thousands)

	Three Months Ended June 30,	
	2023	2022
Net income (loss)	$ 49,446	$ (21,471)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(78)	(225)
Total other comprehensive loss	(78)	(225)
Comprehensive income (loss) before non-controlling interests	49,368	(21,696)
Less: Comprehensive income attributable to non-controlling interests in subsidiaries	9,591	7,460
Less: Comprehensive loss attributable to non-controlling interests in legacy Greenspring entities	(2,866)	(8,604)
Less: Comprehensive income (loss) attributable to non-controlling interests in the Partnership	19,843	(9,449)
Less: Comprehensive income attributable to redeemable non-controlling interests in Consolidated Funds	1,553	—
Comprehensive income (loss) attributable to StepStone Group Inc.	$ 21,247	$ (11,103)

See accompanying notes to condensed consolidated financial statements.

StepStone Group Inc.
Condensed Consolidated Statements of Stockholders' Equity (Unaudited)

(in thousands)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Non-Controlling Interests in Subsidiaries	Non-Controlling Interests in Legacy Greenspring Entities	Non-Controlling Interests in the Partnership	Total Stockholders' Equity
Balance at March 31, 2023	$ 63	$ 46	$ 610,567	$ 160,430	$ 461	$ 36,380	$ 152,658	$ 668,182	$ 1,628,787
Net income (loss)	—	—	—	21,269	—	9,630	(2,866)	19,860	47,893
Other comprehensive loss	—	—	—	—	(22)	(39)	—	(17)	(78)
Contributed capital	—	—	—	—	—	—	2,578	28	2,606
Equity-based compensation	—	—	2,511	—	—	147	—	1,955	4,613
Distributions	—	—	—	—	—	(8,440)	(454)	(17,273)	(26,167)
Dividends declared	—	—	—	(29,087)	—	—	—	—	(29,087)
Equity reallocation between controlling and non-controlling interests	—	—	(255)	—	—	—	—	255	—
Deferred tax effect resulting from transactions affecting ownership in the Partnership, including net amounts payable under Tax Receivable Agreements(1)	—	—	(24)	—	—	—	—	—	(24)
Balance at June 30, 2023	$ 63	$ 46	$ 612,799	$ 152,612	$ 439	$ 37,678	$ 151,916	$ 672,990	$ 1,628,543
Balance at March 31, 2022	$ 61	$ 48	$ 587,243	$ 229,615	$ 658	$ 32,063	$ 194,480	$ 780,162	$ 1,824,330
Net income (loss)	—	—	—	(11,040)	—	7,571	(8,604)	(9,398)	(21,471)
Other comprehensive loss	—	—	—	—	(63)	(111)	—	(51)	(225)
Contributed capital	—	—	—	—	—	—	4,987	—	4,987
Equity-based compensation	—	—	2,039	—	—	4	—	1,671	3,714
Distributions	—	—	—	—	—	(7,698)	(3,498)	(37,499)	(48,695)
Dividends declared	—	—	—	(12,629)	—	—	—	—	(12,629)
Equity reallocation between controlling and non-controlling interests	—	—	4,513	—	(9)	—	—	(4,504)	—
Deferred tax effect resulting from transactions affecting ownership in the Partnership, including net amounts payable under Tax Receivable Agreements(1)	—	—	(636)	—	—	—	—	—	(636)
Balance at June 30, 2022	$ 61	$ 48	$ 593,159	$ 205,946	$ 586	$ 31,829	$ 187,365	$ 730,381	$ 1,749,375

(1) See notes 10 and 13 for more information.

See accompanying notes to condensed consolidated financial statements.

StepStone Group Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Three Months Ended June 30,	
	2023	2022
Cash flows from operating activities		
Net income (loss)	$ 49,446	$ (21,471)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	11,987	11,521
Unrealized carried interest allocations and investment (income) loss	(51,893)	117,020
Unrealized legacy Greenspring carried interest allocations and investment loss	27,941	193,413
Unrealized performance fee-related compensation	24,211	(54,553)
Unrealized legacy Greenspring performance fee-related compensation	(24,876)	(183,195)
Amortization of deferred financing costs	118	118
Equity-based compensation	8,472	3,714
Change in deferred income taxes	4,977	(2,820)
Fair value adjustment for acquisition-related contingent consideration	(1,267)	3,256
Other non-cash activities	3	—
Adjustments to reconcile net income (loss) to net cash provided by operating activities of Consolidated Funds:		
Unrealized investment income of Consolidated Funds	(2,362)	—
Purchases of investments of Consolidated Funds	(6,231)	—
Changes in operating assets and liabilities:		
Fees and accounts receivable	(1,641)	(751)
Due from affiliates	(8,594)	(19,087)
Other assets and receivables	6,873	(9,692)
Accounts payable, accrued expenses and other liabilities	2,195	(12,597)
Accrued compensation and benefits	22,048	32,426
Due to affiliates	906	(299)
Lease right-of-use assets, net and lease liabilities	(4,450)	479
Changes in operating assets and liabilities of Consolidated Funds:		
Other assets and receivables	(64)	—
Other liabilities and payables	(212)	—
Net cash provided by operating activities	57,587	57,482
Cash flows from investing activities		
Contributions to investments	(5,066)	(5,882)
Distributions received from investments	659	1,732
Contributions to investments in legacy Greenspring entities	(2,578)	(4,987)
Distributions received from investments in legacy Greenspring entities	255	1,884
Purchases of property and equipment	(7,756)	(348)
Net cash used in investing activities	(14,486)	(7,601)

See accompanying notes to condensed consolidated financial statements.

StepStone Group Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Three Months Ended June 30,	
	2023	2022
Cash flows from financing activities		
Proceeds from capital contributions from non-controlling interests	$ 28	$ —
Distributions to non-controlling interests	(25,713)	(45,197)
Proceeds from capital contributions to legacy Greenspring entities	2,578	4,987
Distributions to non-controlling interests in legacy Greenspring entities	(454)	(3,498)
Dividends paid to common stockholders	(28,277)	(12,220)
Payments to related parties under Tax Receivable Agreements	(7,670)	(4,790)
Cash flows from financing activities of Consolidated Funds:		
Contributions from redeemable non-controlling interests in Consolidated Funds	15,535	—
Net cash used in financing activities	(43,973)	(60,718)
Effect of foreign currency exchange rate changes	(716)	720
Net decrease in cash, cash equivalents and restricted cash	(1,588)	(10,117)
Cash, cash equivalents and restricted cash at beginning of period	129,517	117,449
Cash, cash equivalents and restricted cash at end of period	$ 127,929	$ 107,332
Supplemental disclosures:		
Non-cash operating, investing, and financing activities:		
Accrued dividends	$ 810	$ 409
Deferred tax effect resulting from transactions affecting ownership in the Partnership, including net amounts payable under Tax Receivable Agreements	(24)	(636)
Establishment of lease liabilities in exchange for lease right-of-use assets	1,239	14,747
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 91,733	$ 106,354
Restricted cash	699	978
Cash and cash equivalents of Consolidated Funds	35,497	—
Total cash, cash equivalents and restricted cash	$ 127,929	$ 107,332

See accompanying notes to condensed consolidated financial statements.

1. Organization

StepStone Group Inc. ("SSG") was incorporated in the state of Delaware on November 20, 2019. The company was formed for the purpose of completing an initial public offering ("IPO") in order to conduct the business of StepStone Group LP (the "Partnership") as a publicly-traded entity. SSG is the sole managing member of StepStone Group Holdings LLC (the "General Partner"), the general partner of the Partnership. Unless otherwise specified, "StepStone" or the "Company" refers to SSG and its consolidated subsidiaries, including the Partnership, throughout the remainder of these notes to the condensed consolidated financial statements.

The Company is a global private markets investment firm focused on providing customized investment solutions and advisory, data and administrative services to its clients. The Company's clients include some of the world's largest public and private defined benefit and defined contribution pension funds, sovereign wealth funds and insurance companies, as well as prominent endowments, foundations, family offices and private wealth clients, including high-net-worth and mass affluent individuals. The Company partners with its clients to develop and build private markets portfolios designed to meet their specific objectives across the private equity, infrastructure, private debt and real estate asset classes. These portfolios utilize several types of synergistic investment strategies with third-party fund managers, including commitments to funds ("primaries"), acquiring stakes in existing funds on the secondary market ("secondaries") and investing directly into companies ("co-investments").

The Company, through its subsidiaries, acts as the investment advisor and general partner or managing member to separately managed accounts ("SMAs") and focused commingled funds, including acquired Greenspring funds (collectively, the "StepStone Funds").

SSG is a holding company whose principal asset is a controlling financial interest in the Partnership through its ownership of all of the Partnership's Class A units and 100% of the membership interests in the General Partner of the Partnership. SSG acts as the sole managing member of the General Partner of the Partnership and, as a result, indirectly operates and controls all of the Partnership's business and affairs. As a result, SSG consolidates the financial results of the Partnership and reports non-controlling interests related to the Class B and Class C units of the Partnership which are not owned by SSG. The assets and liabilities of the Partnership represent substantially all of SSG's consolidated assets and liabilities, with the exception of certain deferred income taxes and payables due to affiliates pursuant to tax receivable agreements (see note 10). Each share of Class A common stock is entitled to one vote and each share of Class B common stock is entitled to five votes. As of June 30, 2023, SSG held approximately 56.2% of the economic interest in the Partnership. As the Partnership's limited partners exchange their Class B and Class C units into SSG's Class A common stock in the future, SSG's economic interest in the Partnership will increase relative to that of the Class B and Class C unitholders.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP") for interim financial information. Management believes it has made all necessary adjustments (consisting of only normal recurring items) such that the condensed consolidated financial statements are presented fairly and that estimates made in preparing the condensed consolidated financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. The condensed consolidated financial statements include the accounts of the Company, its wholly-owned or majority-owned subsidiaries and entities in which the Company is deemed to have a direct or indirect controlling financial interest based on either a variable interest model or voting interest model. All intercompany balances and transactions have been eliminated in consolidation. These unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements included in its annual report on Form 10-K for the fiscal year ended March 31, 2023 filed with the Securities and Exchange Commission ("SEC").

Certain of the StepStone Funds are investment companies that follow specialized accounting under GAAP and reflect their investments at estimated fair value. Accordingly, the carrying value of the Company's equity method investments in such entities retains the specialized accounting.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current period presentation. Amounts relating to unpaid realized carried interest-related compensation that were previously reported within accrued carried interest-related compensation have been presented within accrued compensation and benefits in the condensed consolidated balance sheets.

Consolidation

The Company consolidates all entities that it controls through a majority voting interest or as the primary beneficiary of a variable interest entity ("VIE"). Under the VIE model, management first assesses whether the Company has a variable interest in an entity. In evaluating whether the Company holds a variable interest, fees received as a decision maker or in exchange for services (including management fees, incentive fees and carried interest allocations) that are customary and commensurate with the level of services provided, and where the Company does not hold other economic interests in the entity that would absorb more than an insignificant amount of the expected losses or returns of the entity, are not considered variable interests. If the Company has a variable interest in an entity, management further assesses whether that entity is a VIE, and if so, whether the Company is the primary beneficiary under the VIE model. Entities that do not qualify as VIEs are assessed for consolidation under the voting interest model. The consolidation analysis can generally be performed qualitatively; however, in certain situations a quantitative analysis may also be performed. Investments and redemptions (either by the Company, affiliates of the Company or third parties) or amendments to the governing documents of the respective StepStone Funds that are VIEs could affect the entity's status as a VIE or the determination of the primary beneficiary.

Under the VIE model, an entity is deemed to be the primary beneficiary of a VIE if it holds a controlling financial interest. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly affect the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Management determines whether the Company is the primary beneficiary of a VIE at the time it becomes involved with a VIE and reconsiders that conclusion at each reporting date. When assessing whether the Company is the primary beneficiary of a VIE, management evaluates whether the Company's involvement, through holding interests directly or indirectly in an entity or contractually through other variable interests, would give the Company a controlling financial interest. This analysis includes an evaluation of the Company's control rights, as well as the economic interests that the Company holds in the VIE, including indirectly through related parties.

The Company provides investment advisory services to the StepStone Funds, which have third-party clients. These funds are investment companies and are typically organized as limited partnerships or limited liability companies for which the Company, through its operating subsidiaries, acts as the general partner or managing member. A limited partnership or similar entity is a VIE if the unaffiliated limited partners or members do not have substantive rights to terminate or liquidate the fund or remove the general partner or substantive rights to participate. Certain StepStone Funds are VIEs because they have not granted unaffiliated limited partners or members substantive rights to terminate the fund or remove the general partner or substantive rights to participate. The Company does not consolidate these StepStone Funds because it is not the primary beneficiary of those funds, primarily because it does not hold an interest in those funds that is considered more than insignificant and its fee arrangements are considered customary and commensurate.

The Company has determined that certain of its operating subsidiaries, StepStone Group Real Assets LP ("SRA"), StepStone Group Real Estate LP ("SRE"), Swiss Capital Alternative Investments AG ("Swiss Capital"), and StepStone Group Private Wealth LLC ("SPW") and certain StepStone Funds are VIEs, and that the Company is the primary beneficiary of each entity because it has a controlling financial interest in each entity; accordingly, the Company consolidates these entities. The assets and liabilities of the consolidated VIEs are presented gross in the condensed consolidated balance sheets. The assets of the consolidated VIEs may only be used to settle obligations of the consolidated VIEs. See note 4 for more information on both consolidated and unconsolidated VIEs.

In connection with the acquisition of Greenspring Associates, Inc. and certain of its affiliates ("Greenspring") that was completed on September 20, 2021, the Company, indirectly through its subsidiaries, became the sole and/or managing member of certain entities, each of which is the general partner of an investment fund ("legacy Greenspring general partner entities"). The Company did not acquire any direct economic interests attributable to the legacy Greenspring general partner entities, including legacy Greenspring investments in funds and carried interest allocations. However, certain arrangements negotiated as part of the acquisition represent variable interests that could be significant. The Company determined that the legacy Greenspring general partner entities are VIEs and it is the primary beneficiary of each such entity because it has a controlling financial interest in each entity. As a result, the Company consolidates these entities.

The Company and its subsidiaries manages or controls certain entities that constitute client investment funds that have been consolidated in the accompanying condensed consolidated financial statements (“Consolidated Funds”). Including the results of the Consolidated Funds increases the reported amounts of the assets, liabilities, expenses and cash flows in the accompanying condensed consolidated financial statements, and amounts related to economic interests held by third-party investors are reflected as redeemable non-controlling interests in Consolidated Funds. The revenues earned by the Company as investment manager of the Consolidated Funds are eliminated in consolidation and generally have no direct effect on the net income attributable to SSG or to Stockholders' Equity.

Non-Controlling Interests

Non-controlling interests (“NCI”) reflect the portion of income or loss and the corresponding equity attributable to third-party equity holders and employees in certain consolidated subsidiaries that are not 100% owned by the Company. Non-controlling interests are presented as separate components of stockholders’ equity on the Company’s condensed consolidated balance sheets to clearly distinguish between the Company’s interests and the economic interests of third parties and employees in those entities. Net income (loss) attributable to SSG, as reported in the condensed consolidated statements of income, is presented net of the portion of net income (loss) attributable to holders of non-controlling interests. See note 13 for more information on ownership interests in the Company.

Non-controlling interests in subsidiaries represent the economic interests in SRA, SRE, and Swiss Capital (the variable interest entities included in the Company’s condensed consolidated financial statements) held by third parties and employees in those entities. Non-controlling interests in subsidiaries are allocated a share of income or loss in the respective consolidated subsidiary in proportion to their relative ownership interests, after consideration of contractual arrangements that govern allocations of income or loss.

Non-controlling interests in legacy Greenspring entities represent the economic interests in the legacy Greenspring general partner entities. The Company did not acquire any direct economic interests in the legacy Greenspring general partner entities. As a result, all of the net income or loss related to the legacy Greenspring general partner entities is allocated to non-controlling interests in legacy Greenspring entities.

Non-controlling interests in the Partnership represent the economic interests related to the Class B and Class C units of the Partnership which are not owned by SSG. Non-controlling interests in the Partnership are allocated a share of income or loss in the Partnership in proportion to their relative ownership interests, after consideration of contractual arrangements that govern allocations of income or loss.

Redeemable non-controlling interests in Consolidated Funds represent the economic interests in the Consolidated Funds which are not held by SSG, but are held by the client investors in the funds. These interests are presented as redeemable non-controlling interests in Consolidated Funds within the condensed consolidated balance sheets, outside of permanent capital as the investors in these funds generally have the right to withdraw their capital, subject to the terms of the respective contractual agreements. Redeemable non-controlling interests in Consolidated Funds are allocated a share of income or loss in the respective fund in proportion to their relative ownership interests, after consideration of contractual arrangements that govern allocations of income or loss.

Accounting for Differing Fiscal Periods

The StepStone Funds primarily have a fiscal year end as of December 31. The Company accounts for its investments in the StepStone Funds on a three-month lag due to the timing of receipt of financial information from the investments held by the StepStone Funds. The StepStone Funds primarily invest in private markets funds that generally require at least 90 days following the calendar year end to provide audited financial statements. As a result, the Company uses the December 31 audited financial statements of the StepStone Funds, which reflect the underlying private markets funds as of December 31, to record its investments (including any carried interest allocated by those investments) for its fiscal year-end consolidated financial statements as of March 31. The Company further adjusts the reported carrying values of its investments in the StepStone Funds for its share of capital contributions to and distributions from the StepStone Funds during the three-month lag period. For this interim period ended June 30, 2023, the Company used the March 31, 2023 unaudited financial statements of the StepStone Funds, which reflect the underlying private market funds as of March 31, 2023, to record its investments (including any carried interest allocated by those investments), as adjusted for capital contributions and distributions during the three-month lag period ended June 30, 2023.

The Company does not account for management and advisory fees or incentive fees on a three-month lag.

To the extent that management becomes aware of any material events that affect the StepStone Funds during the three-month lag period, the effect of the events would be disclosed in the notes to the condensed consolidated financial statements.

Current Events

In 2022, financial markets experienced increased volatility amid rising interest rates, slowing economic growth, persistently high inflation and the ongoing Russia-Ukraine conflict. Central banks around the world pursued monetary policy tightening in an effort to bring down inflation to target rates, stoking recession fears. In the first half of calendar 2023, signs of slowing inflation coupled with a strong labor market contributed to a rebound in financial markets despite banking system volatility as recession fears receded in anticipation that interest rates may not rise as much as previously expected.

The Company is continuing to closely monitor developments related to inflation, rising interest rates, the ongoing Russia-Ukraine conflict and banking system volatility, and assess the impact on financial markets and the Company’s business. The Company’s results and the overall industry results have been and may continue to be adversely affected by slowdowns in fundraising activity and the pace of capital deployment, which have resulted in, and may continue to result in, delayed or decreased management fees. Further, fund managers have been unable or less able to profitably exit existing investments. Such conditions have resulted in, and may continue to result in, delayed or decreased performance fee revenues. It is currently not possible to predict the ultimate effects of these events on the financial markets, overall economy and the Company’s condensed consolidated financial statements.

Fair Value Measurements

GAAP establishes a hierarchical disclosure framework, which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace – including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and therefore a lesser degree of judgment is used in measuring their fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of their fair values, as follows:

- Level I – Pricing inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the measurement date.
- Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies. The types of financial instruments classified in this category include less liquid securities traded in active markets and securities traded in other than active markets.
- Level III – Pricing inputs are unobservable for the financial instruments and include situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and consideration of factors specific to the financial instrument.

The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors including, for example, the type of instrument, whether the instrument has recently been issued, whether the instrument is traded on an active exchange or in the secondary market, and current market conditions. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for financial instruments categorized in Level III. The variability and availability of the observable inputs affected by the factors described above may result in transfers between Levels I, II, and III.

The Company considers its cash, cash equivalents, restricted cash, fees and accounts receivable, accounts payable, investments, revolving credit facility, and contingent consideration obligation balances to be financial instruments. The carrying amounts of cash, cash equivalents, restricted cash, fees and accounts receivable and accounts payable equal or approximate their fair values due to their nature and/or the relatively short period over which they are held. See note 6 for additional details regarding the fair value of the Company's contingent consideration obligation balance and see note 8 for additional details regarding the fair value of the Company's revolving credit facility balance.

Restricted Cash

Restricted cash consists of cash that the Company is contractually obligated to maintain to secure its letters of credit used primarily related to its office facilities and other obligations.

Investments

Investments primarily include the Company’s ownership interests in the StepStone Funds, as general partner or managing member of such funds. The Company accounts for all investments in which it has or is otherwise presumed to have significant influence, but not control, including the StepStone Funds, using the equity method of accounting. The carrying value of these equity method investments is determined based on amounts invested by the Company, adjusted for the Company’s share in the earnings or losses of each investee, after consideration of contractual arrangements that govern allocations of income or loss (including carried interest allocations), less distributions received. Investments include the Company’s cumulative accrued carried interest allocations from the StepStone Funds, which primarily represent performance-based capital allocations, assuming the StepStone Funds were liquidated as of each reporting date in accordance with the funds’ governing documents. Legacy Greenspring investments in funds and accrued carried interest allocations represent the economic interests held by the legacy Greenspring general partner entities in certain funds for which the Company does not have any direct economic interests. All of the economics in respect of such interests are payable to employees and are therefore reflected as non-controlling interests in legacy Greenspring entities and legacy Greenspring performance fee-related compensation. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

Management's determination of fair value for investments in the underlying funds includes various valuation techniques. These techniques may include a market approach, recent transaction price, net asset value approach, or discounted cash flows, and may use one or more significant unobservable inputs such as EBITDA, revenue multiples, discount rates, weighted average cost of capital, exit multiples, or terminal growth rates.

Investments of Consolidated Funds

The Company’s Consolidated Funds are investment companies under GAAP and reflect their investments at estimated fair value. The Company has retained the specialized investment company accounting for the Consolidated Funds under GAAP. Investments of the Consolidated Funds are recorded at fair value and the unrealized appreciation (depreciation) in fair value is recognized in the condensed consolidated statements of income. In addition, the Consolidated Funds do not consolidate their majority-owned and controlled investments in underlying portfolio companies.

Leases

The Company determines whether an arrangement contains a lease at inception of the arrangement. A lease is a contract that provides the right to control an identified asset for a period of time in exchange for consideration. For identified leases, the Company determines the classification as either an operating or finance lease. The Company’s identified leases primarily consist of operating lease agreements for office space and certain equipment, as the lessee. Operating leases are included in lease right-of-use-assets, net and lease liabilities in the condensed consolidated balance sheets. Certain leases include lease and non-lease components, which the Company accounts for as a single lease component. Lease right-of-use (“ROU”) assets and lease liabilities are measured based on the present value of future minimum lease payments over the lease term at the commencement date. Lease ROU assets include initial direct costs incurred by the Company and are presented net of deferred rent and lease incentives. The Company uses its incremental borrowing rate in determining the present value of future minimum lease payments. The Company’s lease terms may include options to extend or terminate the lease, which are included in the measurement of ROU assets and lease liabilities when it is reasonably certain that the Company will exercise those options.

Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term in general, administrative and other expenses in the condensed consolidated statements of income. Minimum lease payments for leases with an initial term of twelve months or less are not recorded in the condensed consolidated balance sheets. See note 14 for more information.

Intangibles and Goodwill

The Company's finite-lived intangible assets consist of acquired contractual rights to earn future management and advisory fee income and client relationships. Finite-lived intangible assets are amortized over their estimated useful lives, which range from 8 to 10 years. The Company did not have any intangible assets that were deemed to have an indefinite life as of June 30, 2023.

Finite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. There were no impairment charges related to the Company's finite-lived intangible assets during the three months ended June 30, 2023 and 2022.

Goodwill represents the excess amount of consideration transferred in a business combination above the fair value of the identifiable net assets. Goodwill is assessed for impairment at least annually using a qualitative and, if necessary, a quantitative approach. The Company performs its annual goodwill impairment test as of January 1, or more frequently, if events and circumstances indicate that an impairment may exist. Goodwill is tested for impairment at the reporting unit level. The initial assessment for impairment under the qualitative approach is to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the qualitative assessment indicates that it is more likely than not that the fair value of a reporting unit is less than the carrying amount, a quantitative assessment is performed to measure the amount of impairment loss, if any. The quantitative assessment includes comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized equal to the lesser of (a) the difference between the carrying amount of the reporting unit and its fair value and (b) the total carrying amount of the reporting unit's goodwill.

Revenues

The Company recognizes revenue in accordance with Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*. Revenue is recognized in a manner that depicts the transfer of promised goods or services to customers and for an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The application of ASC 606 requires an entity to identify its contract(s) with a customer, identify the performance obligations in a contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract and recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, variable consideration is included only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The Company has elected to apply the variable consideration allocation exception for its fee arrangements with its customers.

Management and Advisory Fees, Net

The Company earns management fees for services provided to its SMAs and focused commingled funds. The Company earns advisory fees for services provided to advisory clients where the Company does not have discretion over investment decisions. The Company considers its performance obligations in its customer contracts from which it earns management and advisory fees to be one or more of the following, based on the services promised: asset management services, advisory services and/or the arrangement of administrative services.

The Company recognizes revenues from asset management services and advisory services when control of the promised services is transferred to customers, in an amount that reflects the consideration that the Company expects to receive in exchange for those services. SMAs are generally contractual arrangements involving an investment management agreement between the Company and a single client, and are typically structured as a partnership or limited liability company for which a subsidiary of SSG serves as the general partner or managing member. Focused commingled funds are structured as limited partnerships or limited liability companies with multiple clients, for which a subsidiary of the Company serves as the general partner or managing member. The Company determined that the individual client or single limited partner or member is the customer with respect to SMAs and advisory clients, while the investment fund is generally considered to be the customer for arrangements with focused commingled funds.

When asset management services and the arrangement of administrative services are the performance obligations promised in a contract, the Company satisfies these performance obligations over time because the customer simultaneously receives and consumes the benefits of the services as they are performed. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised services to the customer. Management fees earned from these contracts where the Company has discretion over investment decisions are generally calculated based on a percentage of unaffiliated committed capital or net invested capital, and these amounts are typically billed quarterly. For certain investment funds, management fees are initially based on committed capital during the investment period and on net invested capital through the remainder of the fund’s term. In addition, the management fee rate charged may also be reduced for certain investment funds depending on the contractual arrangement. The management fee basis is subject to factors outside of the Company’s control. Therefore, estimates of future period management fees are not included in the transaction price because those estimates would be considered constrained. Advisory fees from contracts where the Company does not have discretion over investment decisions are generally based on fixed amounts and typically billed quarterly.

Management fees generally exclude reimbursements for expenses paid by the Company on behalf of its customers, including amounts related to certain professional fees and other fund administrative expenses pursuant to the fund’s governing documents. For professional and administrative services that the Company arranges to be performed by third parties on behalf of investment funds, management has concluded that the nature of its promise is to arrange for the services to be provided and, accordingly, the Company does not control the services provided by the third parties before they are transferred to the customer. Therefore, the Company is acting as an agent, and the reimbursements for these professional fees paid on behalf of the investment funds are generally presented on a net basis.

The Company and certain investment funds that it manages have distribution and service agreements with third-party financial institutions, whereby the Company pays a portion of the fees it receives to such institutions for ongoing distribution and servicing of customer accounts. Management has concluded that the Company does not act as principal for the third-party services, as the Company does not control the services provided by the third parties before they are transferred to the customer. Therefore, the Company is acting as an agent, and the management fees are recorded net of these service fees.

The Company may incur certain costs in connection with satisfying its performance obligations for investment management services – primarily employee travel costs and certain professional fees – for which it receives reimbursements from its customers. For reimbursable employee travel costs and certain professional fees, the Company concluded it controls the services provided by its employees and other parties and, therefore, is acting as principal. Accordingly, the Company records the reimbursement for these costs incurred on a gross basis – that is, as revenue in management and advisory fees, net and expense in general, administrative and other expenses in the condensed consolidated statements of income. For reimbursable costs incurred in connection with satisfying its performance obligations for administration services, the Company concluded it does not control the services provided by its employees and other parties and, therefore, is acting as agent. Accordingly, the Company records the reimbursement for these costs incurred on a net basis.

Performance Fees

The Company earns two types of performance fee revenues: incentive fees and carried interest allocations, as described below.

Incentive fees are generally calculated as a percentage of the profits (up to 15%) earned in respect of certain accounts, including certain permanent capital vehicles, for which the Company is the investment adviser, subject to the achievement of minimum return levels or performance benchmarks. Incentive fees are a form of variable consideration and represent contractual fee arrangements in the Company's contracts with its customers. Incentive fees are typically subject to reversal until the end of a defined performance period, as these fees are affected by changes in the fair value of the assets under management or advisement over such performance period. Moreover, incentive fees that are received prior to the end of the defined performance period are typically subject to clawback, net of tax.

The Company recognizes incentive fee revenue only when these amounts are realized and no longer subject to significant risk of reversal, which is typically at the end of a defined performance period and/or upon expiration of the associated clawback period (i.e., crystallization). However, clawback terms for incentive fees received prior to crystallization only require the return of amounts on a net of tax basis. Accordingly, the tax-related portion of incentive fees received in advance of crystallization is not subject to clawback and is therefore recognized as revenue immediately upon receipt. Incentive fees received in advance of crystallization that remain subject to clawback are recorded as deferred incentive fee revenue and included in accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets.

Carried interest allocations include the allocation of performance-based fees, commonly referred to as carried interest, to the Company from unaffiliated limited partners in the StepStone Funds in which the Company holds an equity interest. The Company is entitled to a carried interest allocation (typically 5% to 15%) based on cumulative fund or account performance to date, irrespective of whether such amounts have been realized. These carried interest allocations are subject to the achievement of minimum return levels (typically 5% to 10%) in accordance with the terms set forth in each respective fund's governing documents. The Company accounts for its investment balances in the StepStone Funds, including carried interest allocations, under the equity method of accounting because it is presumed to have significant influence as the general partner or managing member. Accordingly, carried interest allocations are not deemed to be within the scope of ASC 606.

Legacy Greenspring carried interest allocations reflect the allocation of carried interest to legacy Greenspring general partner entities from limited partners in certain legacy Greenspring funds in which the legacy Greenspring general partner entities hold an equity interest. The legacy Greenspring general partner entities are entitled to a carried interest allocation (typically 5% to 20%) based on cumulative fund or account performance to date, irrespective of whether such amounts have been realized. The Company accounts for the investment balances in the legacy Greenspring funds, including carried interest allocations, under the equity method of accounting because it is presumed to have significant influence as the general partner or managing member. Accordingly, legacy Greenspring carried interest allocations are not deemed to be within the scope of ASC 606. The Company does not hold any direct economic interests in the legacy Greenspring general partner entities and thus is not entitled to any carried interest allocation from the legacy funds. All of the carried interest allocations in respect of the legacy Greenspring funds are payable to employees who are considered affiliates of the Company and are therefore reflected as legacy Greenspring performance fee-related compensation in the condensed consolidated statements of income.

The Company recognizes revenue attributable to carried interest allocations from a fund based on the amount that would be due to the Company pursuant to the fund's governing documents, assuming the fund was liquidated based on the current fair value of its underlying investments as of that date. Accordingly, the amount recognized as carried interest allocation revenue reflects the Company's share of the gains and losses of the associated fund's underlying investments measured at their then-fair values, relative to the fair values as of the end of the prior period. The Company records the amount of carried interest allocated to the Company as of each period end as accrued carried interest allocations receivable, which is included as a component of investments in the condensed consolidated balance sheets. Management's determination of fair value for investments in the underlying funds includes various valuation techniques. These techniques may include a market approach, recent transaction price, net asset value approach, or discounted cash flows, and may use one or more significant unobservable inputs such as EBITDA, revenue multiples, discount rates, weighted average cost of capital, exit multiples, or terminal growth rates.

Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the specific hurdle rates, as defined in the applicable governing documents. Carried interest is subject to reversal to the extent that the amount received to date exceeds the amount due to the Company based on cumulative results. As such, a liability is accrued for potential clawback obligations if amounts previously distributed to the Company would require repayment to a fund if such fund were to be liquidated based on the current fair value of their underlying investments as of the reporting date. Actual repayment obligations generally do not become realized until the end of a fund's life. As of June 30, 2023 and March 31, 2023, no material amounts for potential clawback obligations had been accrued.

Equity-Based Compensation

Equity-based compensation represents grants of equity-based awards or arrangements to certain employees and directors. The Company accounts for grants of equity-based awards, including restricted stock units ("RSUs"), to certain employees and directors at fair value as of the grant date. The Company recognizes non-cash compensation expense attributable to these grants on a straight-line basis over the requisite service period, which is generally the vesting period. Expense related to grants of equity-based awards is recognized as equity-based compensation expense in the condensed consolidated statements of income. The fair value of RSUs is determined by the closing stock price on the grant date. Forfeitures of equity-based awards are recognized as they occur. Awards classified as liabilities are remeasured at the end of each reporting period until settlement. See note 9 for additional information regarding the Company's accounting for equity-based awards.

Income Taxes

SSG is a corporation for U.S. federal income tax purposes and therefore is subject to U.S. federal and state income taxes on its share of taxable income generated by the Partnership. The Partnership is treated as a pass-through entity for U.S. federal and state income tax purposes. As such, income generated by the Partnership flows through to its limited partners, including SSG, and is generally not subject to U.S. federal or state income tax at the Partnership level. The Partnership's non-U.S. subsidiaries generally operate as corporate entities in non-U.S. jurisdictions, with certain of these entities subject to non-U.S. income taxes. Additionally, certain subsidiaries are subject to local jurisdiction taxes at the entity level, which are reflected within income tax expense in the condensed consolidated statements of income. As a result, the Partnership does not record U.S. federal and state income taxes on income in the Partnership or its subsidiaries, except for certain local and foreign income taxes discussed above.

Taxes are accounted for using the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases, using tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period when the change is enacted. Deferred tax liabilities are included within accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets. The principal items giving rise to temporary differences are certain basis differences resulting from exchanges of Partnership units. See Tax Receivable Agreements below.

Deferred tax assets are reduced by a valuation allowance when it is more-likely-than-not that some portion or all of the deferred tax assets will not be realized. The realization of deferred tax assets is dependent on the amount, timing and character of the Company's future taxable income. When evaluating the realizability of deferred tax assets, all evidence – both positive and negative – is considered. This evidence includes, but is not limited to, expectations regarding future earnings, future reversals of existing temporary tax differences and tax planning strategies.

The Company is subject to the provisions of ASC Subtopic 740-10, *Accounting for Uncertainty in Income Taxes*. This standard establishes consistent thresholds as it relates to accounting for income taxes. It defines the threshold for recognizing the benefits of tax return positions in the financial statements as more-likely-than-not to be sustained by the relevant taxing authority and requires measurement of a tax position meeting the more-likely-than-not criterion, based on the largest benefit that is more than 50% likely to be realized. If upon performance of an assessment pursuant to this subtopic, management determines that uncertainties in tax positions exist that do not meet the minimum threshold for recognition of the related tax benefit, a liability is recorded in the condensed consolidated financial statements. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as interest expense and general, administrative and other expenses, respectively, in the condensed consolidated statements of income. See note 10 for more information.

The Company has elected to account for global intangible low-taxed income ("GILTI") earned by foreign subsidiaries in the period the tax is incurred.

Tax laws are complex and subject to different interpretations by the taxpayer and respective governmental taxing authorities. Significant judgment is required in determining tax expense and in evaluating tax positions, including evaluating uncertainties under GAAP. The Company reviews its tax positions quarterly and adjusts its tax balances as new information becomes available.

Tax Receivable Agreements

The Tax Receivable Agreements provide for payment by SSG to the Class B limited partners, Class C limited partners and pre-IPO institutional investors of the Partnership of 85% of the amount of the net cash tax savings, if any, that SSG realizes (or, under certain circumstances, is deemed to realize) as a result of increases in tax basis (and utilization of certain other tax benefits) resulting from (i) SSG's acquisition of such partners' and institutional investors' Partnership units and (ii) in the case of the Exchanges Tax Receivable Agreement, any payments SSG makes under the Exchanges Tax Receivable Agreement (including tax benefits related to imputed interest). SSG will retain the benefit of the remaining 15% of these net cash tax savings under both Tax Receivable Agreements. In connection with the Greenspring acquisition, the sellers receiving Class C units of the Partnership became parties to the Exchanges Tax Receivable Agreement. See note 13 for more information.

(in thousands, except share and per share amounts and where noted)

Accumulated Other Comprehensive Income

The Company's accumulated other comprehensive income consists of foreign currency translation adjustments and unrealized gains and losses on the defined benefit plan sponsored by one of its subsidiaries. The components of accumulated other comprehensive income were as follows:

	As of	
	June 30, 2023	March 31, 2023
Foreign currency translation adjustments	$ 258	$ 280
Unrealized gain on defined benefit plan, net	181	181
Accumulated other comprehensive income	$ 439	$ 461

Segments

The Company operates as one business, a fully-integrated private markets solution provider. The Company's chief operating decision maker, who is the Company's chief executive officer, utilizes a consolidated approach to assess the performance of and allocate resources to the business. Accordingly, management has concluded that the Company consists of a single operating segment and single reportable segment for accounting and financial reporting purposes.

Recent Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates ("ASU") issued by the Financial Accounting Standards Board ("FASB"). ASUs issued during the current period not listed below were assessed and determined to either be not applicable to the Company, or not expected to have a material impact on the condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which amends current guidance to provide optional practical expedients and exceptions, if certain criteria are met, for applying GAAP to contracts, hedging relationships and other transactions that are affected by the reference rate reform. The expedients and exceptions in this update apply only to contracts, hedging relationships and other transactions that reference the London Interbank Offered Rate ("LIBOR"). Initially the update did not apply to contract modifications or hedging relationships entered into after December 31, 2022, but in December 2022, the FASB issued ASU 2022-06, which defers the sunset date for applying reference rate reform relief in ASC 848 to December 31, 2024. This guidance is effective for adoption anytime after March 12, 2020, but must be adopted prior to December 31, 2024. The Company is currently evaluating the impact on the condensed consolidated financial statements.

(in thousands, except share and per share amounts and where noted)

3. Revenues

The following presents revenues disaggregated by product offering, which aligns with the Company's performance obligations and the basis for calculating each amount:

	Three Months Ended June 30,	
Management and Advisory Fees, Net	**2023**	**2022**
Focused commingled funds	$ 67,006	$ 52,742
SMAs	55,744	50,460
Advisory and other services	14,101	12,984
Fund reimbursement revenues	1,264	546
Total management and advisory fees, net	$ 138,115	$ 116,732

	Three Months Ended June 30,	
Incentive Fees	**2023**	**2022**
SMAs	$ 6	$ —
Focused commingled funds	—	—
Total incentive fees	$ 6	$ —

	Three Months Ended June 30,	
Carried Interest Allocations	**2023**	**2022**
SMAs	$ 40,136	$ (38,125)
Focused commingled funds	23,701	(2,218)
Total carried interest allocations	$ 63,837	$ (40,343)

	Three Months Ended June 30,	
Legacy Greenspring Carried Interest Allocations	**2023**	**2022**
SMAs	$ —	$ —
Focused commingled funds(1)	(23,947)	(153,607)
Total legacy Greenspring carried interest allocations	$ (23,947)	$ (153,607)

(1) The three months ended June 30, 2023 and 2022 reflect the net effect of gross realized carried interest allocations of $0.9 million and $29.6 million, respectively, and the reversal of such amounts in unrealized carried interest allocations for such periods.

The increase in carried interest allocations for the three months ended June 30, 2023 was primarily attributable to net unrealized appreciation in the fair value of certain underlying fund investments. The decrease in legacy Greenspring carried interest allocations for the three months ended June 30, 2023 was primarily attributable to net unrealized depreciation in the fair value of certain underlying fund investments. The decrease in carried interest allocations and legacy Greenspring carried interest allocations for the three months ended June 30, 2022 was primarily attributable to net unrealized depreciation in the fair value of certain underlying fund investments. See note 2 for a discussion of the Company's accounting policy for investments on a three-month lag.

(in thousands, except share and per share amounts and where noted)

The Company derives revenues from clients located in both the United States and other countries. The table below presents the Company's revenues by geographic location:

	Three Months Ended June 30,	
Revenues(1)	**2023**	**2022**
United States	$ 45,093	$ (106,950)
Non-U.S. countries	132,918	29,732

(1) Revenues are attributed to countries based on client location for SMAs and advisory and other services, or location of investment vehicle for focused commingled funds.

For the three months ended June 30, 2023 and 2022, no individual client represented 10% or more of the Company's net management and advisory fees.

As of June 30, 2023 and March 31, 2023, the Company had $25.0 million and $21.6 million, respectively, of deferred revenues, which is included in accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets. During the three months ended June 30, 2023, the Company had recognized $3.6 million as revenue from amounts included in the deferred revenue balance as of March 31, 2023.

4. Variable Interest Entities

Consolidated VIEs

The Company consolidates certain VIEs for which it is the primary beneficiary. Such VIEs consist of certain operating entities not wholly-owned by the Company (e.g., Swiss Capital, SRA and SRE), SPW, legacy Greenspring general partner entities and certain StepStone Funds. See note 2 for more information on the Company's accounting policies related to the consolidation of VIEs. The assets of the consolidated VIEs totaled $981.5 million and $964.2 million as of June 30, 2023 and March 31, 2023, respectively. The liabilities of the consolidated VIEs totaled $676.5 million and $682.7 million as of June 30, 2023 and March 31, 2023, respectively. The assets of the consolidated VIEs may only be used to settle obligations of the same VIE. In addition, there is no recourse to the Company for the consolidated VIEs' liabilities, except for certain entities in which there could be a clawback of previously distributed carried interest. As of June 30, 2023 and March 31, 2023, no material amounts previously distributed have been accrued for clawback liabilities.

(in thousands, except share and per share amounts and where noted)

Unconsolidated VIEs

The Company holds variable interests in the form of direct equity interests in certain VIEs that are not consolidated because the Company is not the primary beneficiary. The Company's maximum exposure to loss is limited to the potential loss of assets recognized by the Company relating to these unconsolidated entities. The carrying value of the assets and liabilities recognized in the condensed consolidated balance sheets with respect to the Company's interests in VIEs that were not consolidated is set forth below:

	As of	
	June 30, 2023	March 31, 2023
Investments in funds	$ 122,149	$ 115,187
Legacy Greenspring investments in funds	151,916	152,658
Due from affiliates, net	34,488	29,017
Less: Amounts attributable to non-controlling interests in subsidiaries	21,070	19,432
Less: Amounts attributable to non-controlling interests in legacy Greenspring entities	151,916	152,658
Maximum exposure to loss	$ 135,567	$ 124,772

5. Investments

The Company's investments consist of equity method investments primarily related to (i) investments in the StepStone Funds for which it serves as general partner or managing member but does not have a controlling financial interest and (ii) investments of Consolidated Funds. The Company's equity interest in its equity method investments in the StepStone Funds typically does not exceed 1% in each fund. The Company's share of the underlying net income or loss attributable to its equity interest in the funds is recorded in investment income in the condensed consolidated statements of income. Investment income attributable to the Consolidated Funds is recorded in investment income of Consolidated Funds. Investment income attributable to investments in certain legacy Greenspring funds for which the Company has no direct economic interests is recorded in legacy Greenspring investment income in the condensed consolidated statements of income.

Equity Method Investments

The Company's equity method investments consist of the following:

	As of	
	June 30, 2023	March 31, 2023
Investments in funds(1)	$ 122,149	$ 115,187
Accrued carried interest allocations	1,277,783	1,227,173
Legacy Greenspring investments in funds and accrued carried interest allocations(2)	745,586	770,652
Total equity method investments	$ 2,145,518	$ 2,113,012

(1) The Company's investments in funds were $154.4 million and $147.5 million as of June 30, 2023 and March 31, 2023, respectively. The consolidation of the Consolidated Funds results in the elimination of the Company's investments in such funds.

(2) Reflects investments in funds of $151.9 million and $152.7 million and carried interest allocations of $593.7 million and $618.0 million as of June 30, 2023 and March 31, 2023, respectively.

(in thousands, except share and per share amounts and where noted)

The Company recognized equity method income (loss) of the following:

	Three Months Ended June 30,	
	2023	2022
Carried interest allocations	$ 63,837	$ (40,343)
Investment income (loss)	3,086	(1,101)
Legacy Greenspring carried interest allocations	(23,947)	(153,607)
Legacy Greenspring investment loss	(2,866)	(8,604)
Total equity method income (loss)	$ 40,110	$ (203,655)

The increase in carried interest allocations for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022 was primarily attributable to unrealized appreciation in the fair value of the underlying investments in the Company's private equity funds. See note 2 for a discussion of the Company's accounting policy for investments on a three-month lag.

As of June 30, 2023 and March 31, 2023, the Company's investments in two SMAs each individually represented 10% or more of the total accrued carried interest allocations balance, and in the aggregate represented approximately 25% and 24%, respectively, of the total accrued carried interest allocations balance as of those dates. As of June 30, 2023 and March 31, 2023, the Company's investments in three and two commingled funds, respectively, each individually represented 10% or more of the total legacy Greenspring accrued carried interest allocations balance, and in the aggregate represented approximately 35% and 24%, respectively, of the total legacy Greenspring accrued carried interest allocations balances as of those dates.

Of the total accrued carried interest allocations balance as of June 30, 2023 and March 31, 2023, $668.7 million and $644.5 million, respectively, were payable to affiliates and are included in accrued carried interest-related compensation in the condensed consolidated balance sheets. Of the total legacy Greenspring investments in funds and accrued carried interest allocations balance as of June 30, 2023 and March 31, 2023, $593.7 million and $618.0 million, respectively, were payable to employees who are considered affiliates of the Company and are included in legacy Greenspring accrued carried interest-related compensation in the condensed consolidated balance sheets and $151.9 million and $152.7 million, respectively, are reflected as non-controlling interests in legacy Greenspring entities in the condensed consolidated balance sheets.

The Company evaluates each of its equity method investments to determine if any are considered significant as defined by the SEC. As of June 30, 2023 and March 31, 2023 and for the three months ended June 30, 2023 and 2022, no individual equity method investment held by the Company met the significance criteria. As a result, the Company is not required to provide separate financial statements for any of its equity method investments.

(in thousands, except share and per share amounts and where noted)

Investments of Consolidated Funds

The Company consolidates funds and entities when it is deemed to hold a controlling financial interest. Beginning in the quarter ended December 31, 2022, the Company consolidated one investment fund for which it is deemed to have a controlling financial interest. The activity of the Consolidated Funds is reflected within the condensed consolidated financial statements.

Investments held by the Consolidated Funds are summarized below:

	Fair Value as of		Percentage of Total Investments as of	
	June 30, 2023	**March 31, 2023**	**June 30, 2023**	**March 31, 2023**
Investments of Consolidated Funds:				
Partnership and LLC interests (cost of $27.3 million and $21.3 million as of June 30, 2023 and March 31, 2023, respectively)	$ 39,188	$ 30,595	100 %	100 %
Total investments of Consolidated Funds	$ 39,188	$ 30,595	100 %	100 %

As of June 30, 2023 and March 31, 2023, no individual investment had a fair value greater than 5% of the Company's total assets.

The following table summarizes net gains (losses) from investment activities of the Consolidated Funds:

	Three Months Ended June 30, 2023	
	Net Realized Gains (Losses) on Investments	**Net Unrealized Gains (Losses) on Investments**
Investments of Consolidated Funds:		
Partnership and LLC interests	$ —	$ 2,362
Total investments of Consolidated Funds	$ —	$ 2,362

(in thousands, except share and per share amounts and where noted)

6. Fair Value Measurements

The Company measures certain assets and liabilities at fair value on a recurring basis. The following tables provide details regarding the classification of these assets and liabilities within the fair value hierarchy as of the dates presented:

Financial Instruments of the Company

	As of June 30, 2023			
	Level I	Level II	Level III	Total
Liabilities				
Contingent consideration obligations	$ —	$ —	$ 35,332	$ 35,332
Total liabilities	$ —	$ —	$ 35,332	$ 35,332

	As of March 31, 2023			
	Level I	Level II	Level III	Total
Liabilities				
Contingent consideration obligations	$ —	$ —	$ 36,745	$ 36,745
Total liabilities	$ —	$ —	$ 36,745	$ 36,745

For the financial instruments presented in the tables above, there were no changes in fair value hierarchy levels during the three months ended June 30, 2023 and 2022.

The changes in the fair value of Level III financial instruments of the Company are set forth below:

	Three Months Ended June 30,	
	2023	2022
Contingent consideration obligations		
Balance, beginning of period:	$ 36,745	$ 28,025
Additions	—	—
Change in fair value	(1,267)	3,256
Settlements	(146)	(160)
Balance, end of period:	$ 35,332	$ 31,121
Changes in unrealized (gains) losses included in earnings related to financial instruments still held at the reporting date	$ (1,267)	$ 3,256

(in thousands, except share and per share amounts and where noted)

Contingent Consideration

The fair value of the contingent consideration liabilities is based on a discounted cash flow analysis using a probability-weighted average estimate of certain performance targets, including revenue levels. The assumptions used in the analysis are inherently subjective; therefore, the ultimate amount of the contingent consideration liability may differ materially from the current estimate. The significant unobservable inputs required to value the contingent consideration liabilities primarily relate to the future expected revenues and the discount rate applied to the expected future revenues and payments of obligations which was 8% as of June 30, 2023. The contingent consideration liabilities are included in accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets. Changes in the fair value of the liabilities are included in general, administrative and other expenses in the condensed consolidated statements of income.

Financial Instruments of Consolidated Funds

	As of June 30, 2023			
	Level I	Level II	Level III	Total
Assets				
Partnership and LLC interests	$ —	$ —	$ 2,902	$ 2,902
Total assets	$ —	$ —	$ 2,902	$ 2,902

	As of March 31, 2023			
	Level I	Level II	Level III	Total
Assets				
Partnership and LLC interests	$ —	$ —	$ 6,901	$ 6,901
Total assets	$ —	$ —	$ 6,901	$ 6,901

For the financial instruments presented in the tables above, there were no changes in fair value hierarchy levels during the three months ended June 30, 2023. There were no financial instruments held by Consolidated Funds as of June 30, 2022.

Investment Funds

The Company generally values its investment funds, which are organized as partnership and LLC interests, using the NAV per share equivalent calculated by the investment manager as a practical expedient in determining an independent fair value. The Company does not categorize within the fair value hierarchy investments where fair value is measured using the net asset value per share practical expedient. As of June 30, 2023 and March 31, 2023, investments with a combined fair value of $36.3 million and $23.7 million, respectively, are excluded from presentation in the fair value hierarchy as the fair value of these investments were measured at net asset value. As of June 30, 2023 and March 31, 2023, investments with a combined fair value of $2.9 million and $6.9 million, respectively, were classified as Level III investments. The significant unobservable input used to value these investments classified as Level III are the discounts to recent transaction prices.

(in thousands, except share and per share amounts and where noted)

The changes in the fair value of Level III financial instruments of Consolidated Funds are set forth below:

	Three Months Ended June 30, 2023
Partnership and LLC interests	
Balance, beginning of period:	$ 6,901
Transfers out of level III	(5,067)
Purchases	1,068
Balance, end of period:	$ 2,902
Changes in unrealized gains (losses) included in earnings related to financial instruments still held at the reporting date	$ —

7. Intangibles and Goodwill

Intangible assets consist of management contracts providing economic rights to management and advisory fees and client relationships related to future fundraising, as obtained through the Company's acquisitions of other businesses.

Intangible assets, net consists of the following:

	As of June 30, 2023	As of March 31, 2023
Management contracts	$ 352,002	$ 352,002
Client relationships	96,650	96,650
Service agreements	9,537	9,537
Less: Accumulated amortization	(114,206)	(103,544)
Intangible assets, net	$ 343,983	$ 354,645

Amortization expense related to intangible assets was $10.7 million and $10.9 million for the three months ended June 30, 2023 and 2022, respectively. These amounts are included in general, administrative and other expenses in the condensed consolidated statements of income.

At June 30, 2023, the expected future amortization of finite-lived intangible assets is as follows:

Remainder of FY2024	$ 31,984
FY2025	41,955
FY2026	41,764
FY2027	41,730
FY2028	41,713
Thereafter	144,837
Total	$ 343,983

The carrying value of goodwill was $580.5 million as of June 30, 2023 and March 31, 2023. The Company determined there was no indication of goodwill impairment as of June 30, 2023 and March 31, 2023.

(in thousands, except share and per share amounts and where noted)

8. Debt Obligations

The Company is party to a credit agreement, as amended in April 2023, with various lenders (the “Credit Agreement”) that was arranged by JPMorgan Chase Bank, N.A., as the administrative agent, and provides for a $225.0 million multicurrency revolving credit facility (the “Revolver”) with a five-year maturity. As of June 30, 2023, the Company had $98.5 million outstanding on the Revolver, net of debt issuance costs.

The Company’s debt obligations consist of the following:

	As of	
	June 30, 2023	March 31, 2023
Revolver	$ 100,000	$ 100,000
Less: Debt issuance costs	(1,532)	(1,649)
Total debt obligations	$ 98,468	$ 98,351

Borrowings under the Revolver bear interest at a variable rate per annum. The Company may designate each borrowing as (i) in the case of any borrowing in U.S. dollars, a base rate loan or a Term SOFR rate loan, (ii) in the case of any borrowing denominated in Euros, a EURIBOR rate loan, (iii) in the case of any borrowing denominated in British Pounds Sterling, a Sterling Overnight Index Average (“SONIA”) loan, (iv) in the case of any borrowing denominated in Swiss Francs, a Swiss Average Rate Overnight (“SARON”) loan, and (v) in the case of any borrowing denominated in Australian dollars, an AUD rate loan. Borrowings bear interest equal to (i) in the case of base rate loans, 1.00% plus the greatest of (a) the Prime Rate, (b) the New York Federal Reserve Bank Rate plus 0.50% and (c) the 1 month Term SOFR, plus 1.10%, (ii) in the case of a Term SOFR rate loan, the Term SOFR rate plus 2.10%, (iii) in the case of a EURIBOR rate loan, the EURIBOR rate multiplied by the Statutory Reserve Rate (as defined in the Credit Agreement) plus 2.00%, (iv) in the case of a SONIA loan, the Sterling Overnight Index Average plus 2.03%, (v) in the case of a SARON loan, the Swiss Average Rate Overnight plus 2.00%, and (vi) in the case of an AUD rate loan, the AUD Screen Rate (as defined in the Credit Agreement) multiplied by the Statutory Reserve Rate plus 2.20%, in certain cases subject to applicable interest rate floors. The weighted-average interest rate in effect for the Revolver as of June 30, 2023 was 7.23%.

Borrowings under the Revolver may be repaid at any time during the term of the Credit Agreement and, subject to certain terms and conditions, may be reborrowed prior to the maturity date. Any outstanding principal amounts, together with any accrued interest thereon, shall be due and payable on the maturity date. The maturity date for the Revolver is September 20, 2026.

The Revolver bears a fee on undrawn commitments equal to 0.25% per annum if total utilization of revolving commitments is equal to or greater than 50% and 0.35% per annum if total utilization of revolving commitments is less than 50%.

The carrying value of the Revolver approximates fair value, as the loan is subject to variable interest rates that adjust with changes in market rates and market conditions and the current interest rate approximates that which would be available under similar financial arrangements.

(in thousands, except share and per share amounts and where noted)

Under the terms of the Credit Agreement, certain of the Company's assets serve as pledged collateral. In addition, the Credit Agreement contains covenants that, among other things: limit the Company's ability to incur indebtedness; create, incur or allow liens; transfer or dispose of assets; merge with other companies; make certain investments; pay dividends or make distributions; engage in new or different lines of business; and engage in transactions with affiliates. The Credit Agreement also contains financial covenants requiring the Company to maintain a total net leverage ratio and a minimum total of fee-earning assets under management. As of June 30, 2023, the Company was in compliance with the total net leverage ratio and minimum fee-earning assets under management covenants.

The Company can use available funding capacity under the Revolver to satisfy letters of credit in amounts up to $10.0 million. Amounts used to satisfy the letters of credit reduce the available capacity under the Revolver. As of June 30, 2023, the Company had outstanding letters of credit totaling $7.8 million.

9. Equity-Based Compensation

The change in unvested RSUs is as follows:

	Number of RSUs	Weighted-Average Grant-Date Fair Value Per RSU
Balance as of March 31, 2023	1,775,732	$ 22.46
Granted	—	$ —
Vested	(80)	$ (18.00)
Forfeited	(21,835)	$ (22.17)
Balance as of June 30, 2023	1,753,817	$ 22.46

Unvested Partnership Units

All Class B2 units will automatically convert into Class B units upon final vesting in 2024 and unitholders will be entitled to purchase from the Company one share of Class B common stock for each Class B unit at its par value. Prior to vesting, holders of Class B2 units do not have the right to receive any distributions from the Partnership, other than tax-related distributions.

As of June 30, 2023, there were 2,566,566 Class B2 units outstanding. During the three months ended June 30, 2023, none of the outstanding Class B2 units were forfeited. As of June 30, 2023, 598,865 Class B2 units were unvested and 1,967,701 Class B2 units were vested.

As of June 30, 2023, $37.0 million of unrecognized non-cash compensation expense in respect of equity-based awards remained to be recognized over a weighted-average period of approximately 3.8 years.

Liability Classified Awards

For the three months ended June 30, 2023, the Company recognized $3.9 million of expense related to the fair value of liability classified awards within equity-based compensation expense in the condensed consolidated statements of income. For the three months ended June 30, 2023 and 2022, no amounts were paid related to settlement for liability classified awards.

10. Income Taxes

The Company made payments of $7.7 million and $4.8 million during the three months ended June 30, 2023 and 2022, respectively, under the Tax Receivable Agreements. As of June 30, 2023, the Company's total Tax Receivable Agreements liability was $191.6 million. See note 12 for more information.

The Company's effective tax rate was 14.8% and (6.4)% for the three months ended June 30, 2023 and 2022, respectively. The Company's overall effective tax rate in each of the periods described above is less than the statutory rate as a portion of income was allocated to non-controlling interests and the tax liability on such income is borne by the holders of non-controlling interests. The primary rate difference was due to the pre-tax income during the three months ended June 30, 20233 compared to pre-tax losses during the three months ended June 30, 2022 and an increase in foreign tax expense for the three months ended June 30, 2023. Additionally, for the three months ended June 30, 2022 there were certain tax expense adjustments that were recorded to the Company's outside basis difference in the Partnership that did not reoccur in the three months ended June 30, 2023.

The Company evaluates the realizability of its deferred tax assets on a quarterly basis and adjusts the valuation allowance when it is more-likely-than-not that all or a portion of the deferred tax assets may not be realized.

As of June 30, 2023, the Company has not recorded any unrecognized tax benefits and does not expect there to be any material changes to uncertain tax positions within the next 12 months.

11. Earnings Per Share

Basic and diluted earnings per share of Class A common stock are presented for the three months ended June 30, 2023 and 2022. The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted earnings per share of Class A common stock:

	Three Months Ended June 30,	
	2023	2022
(in thousands, except share and per share amounts)		
Numerator:		
Net income (loss) attributable to StepStone Group Inc. – Basic	$ 21,269	$ (11,040)
Incremental income from assumed vesting of RSUs	135	—
Incremental income from assumed vesting and exchange of Class B2 units	829	—
Net income (loss) attributable to StepStone Group Inc. – Diluted	$ 22,233	$ (11,040)
Denominator:		
Weighted-average shares of Class A common stock outstanding – Basic	62,834,818	61,144,139
Assumed vesting of RSUs	400,034	—
Assumed vesting and exchange of Class B2 units	2,504,618	—
Weighted-average shares of Class A common stock outstanding – Diluted	65,739,470	61,144,139
Net income (loss) per share of Class A common stock:		
Basic	$ 0.34	$ (0.18)
Diluted	$ 0.34	$ (0.18)

Diluted earnings per share of Class A common stock is computed by dividing net income (loss) attributable to SSG, giving consideration to the reallocation of net income between holders of Class A common stock and non-controlling interests, by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive securities, if any.

Shares of the Company’s Class B common stock do not share in the earnings or losses attributable to SSG and therefore are not participating securities. As a result, a separate presentation of basic and diluted earnings per share of Class B common stock under the two-class method has not been included.

The calculation of diluted earnings per share excludes 46,420,141 Class B units and 2,514,085 Class C units of the Partnership outstanding as of June 30, 2023, and 46,891,897 Class B units and 2,928,824 Class C units of the Partnership outstanding as of June 30, 2022, which are exchangeable into Class A common stock under the if-converted method, as the inclusion of such shares would be anti-dilutive.

As the Company was in a net loss position for the three months ended June 30, 2022, the calculation of diluted earnings per share excludes potential shares of Class A common stock for 2,060,605 outstanding RSUs, 2,566,566 Class B2 units and 23,418 Class B units issuable pursuant to anti-dilution rights in connection with the vesting of Class B2 units that are convertible into Class A common stock under the if-converted method, as the inclusion of such shares would be anti-dilutive.

(in thousands, except share and per share amounts and where noted)

12. Related Party Transactions

The Company considers its senior executives, employees and equity method investments to be related parties. A substantial portion of the Company's management and advisory fees and carried interest allocations is earned from various StepStone Funds that are considered equity method investments. The Company earned net management and advisory fees from the StepStone Funds of $92.8 million and $79.4 million for the three months ended June 30, 2023 and 2022, respectively. Carried interest allocation revenues earned from the StepStone Funds totaled $63.8 million and $(40.3) million for the three months ended June 30, 2023 and 2022, respectively. Legacy Greenspring carried interest allocation revenues earned from certain legacy Greenspring funds for which the Company has no direct economic interests totaled $(23.9) million and $(153.6) million for the three months ended June 30, 2023 and 2022, respectively.

Due from affiliates in the condensed consolidated balance sheets consists primarily of fees and accounts receivable from the StepStone Funds, advances made on behalf of the StepStone Funds for the payment of certain organization and operating costs and expenses for which the Company is subsequently reimbursed, amounts due from employees and loans due from affiliated entities, as set forth below.

	As of	
	June 30, 2023	March 31, 2023
Amounts receivable from StepStone Funds	$ 41,143	$ 33,813
Amounts receivable from employees	7,616	7,016
Amounts receivable from loans	13,606	13,493
Total due from affiliates	$ 62,365	$ 54,322

Due to affiliates in the condensed consolidated balance sheets consists primarily of amounts payable to certain non-controlling interest holders in connection with the Tax Receivable Agreements, amounts payable to the StepStone Funds and distributions payable to certain employee equity holders of consolidated subsidiaries, as set forth below.

	As of	
	June 30, 2023	March 31, 2023
Amounts payable to non-controlling interest holders in connection with Tax Receivable Agreements	$ 191,638	$ 199,307
Amounts payable to StepStone Funds	6,655	4,796
Distributions payable to certain employee equity holders of consolidated subsidiaries	1,114	1,321
Total due to affiliates	$ 199,407	$ 205,424

The Company made payments of $7.7 million and $4.8 million during the three months ended June 30, 2023 and 2022, respectively, under the Tax Receivable Agreements.

13. Stockholders' Equity and Redeemable Non-Controlling Interests

Stockholders' Equity

The Company has two classes of common stock outstanding, Class A common stock and Class B common stock. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters presented to the Company's stockholders for their vote or approval. Holders of Class A common stock are entitled to receive dividends when and if declared by the board of directors. Holders of the Class B common stock are not entitled to dividends in respect of their shares of Class B common stock.

(in thousands, except share and per share amounts and where noted)

The Class C limited partnership interests of the Partnership have substantially the same rights and obligations as are applicable to the existing holders of Class B units of the Partnership. The Company has no ownership interest in the Class C units, which are held by certain employees of the Company. The Company also entered into an agreement with the Class C limited partners of the Partnership to allow for the exchange of Class C units to shares of Class A common stock of the Company on a one-for-one basis, subject to certain restrictions.

The following table shows a rollforward of the Company's shares of common stock outstanding since March 31, 2023:

	Class A Common Stock	Class B Common Stock
March 31, 2023	62,834,791	46,420,141
Class A common stock issued for vesting of RSUs	80	—
June 30, 2023	62,834,871	46,420,141

The Company has 25,000,000 authorized shares of preferred stock, par value of $0.001 per share, and as of June 30, 2023, no shares of preferred stock were issued or outstanding.

The reallocation adjustment between SSG stockholders' equity, non-controlling interests in the Partnership and non-controlling interests in subsidiaries relates to the impact of changes in economic ownership percentages during the period and adjusting previously recorded equity transactions to the economic ownership percentage as of the end of each reporting period.

Dividends and distributions are reflected in the condensed consolidated statements of stockholders' equity when declared by the board of directors. Dividends are made to Class A common stockholders and distributions are made to limited partners of the Partnership and holders of non-controlling interests in subsidiaries.

On May 24, 2023, the Company announced a quarterly cash dividend of $0.20 per share of Class A common stock and a supplemental cash dividend of $0.25 per share of Class A common stock, both of which were paid on June 30, 2023 to holders of record at the close of business on June 15, 2023.

Redeemable Non-Controlling Interests

The following table summarizes the activities associated with the redeemable non-controlling interests in Consolidated Funds:

	Three Months Ended June 30,
	2023
Beginning balance	$ 24,530
Contributions	15,535
Net income	1,553
Ending balance	$ 41,618

(in thousands, except share and per share amounts and where noted)

14. Commitments and Contingencies

Litigation

In the ordinary course of business, and from time to time, the Company may be subject to various legal, regulatory and/or administrative proceedings. The Company accrues a liability for legal proceedings only when those matters present loss contingencies that are both probable and reasonably estimable. In such cases, there may be an exposure to loss in excess of any amounts accrued. Although there can be no assurance of the outcome of such proceedings, based on information known by management, the Company does not expect a potential liability related to any current legal proceedings or claims that would individually or in the aggregate materially affect its condensed consolidated financial statements as of June 30, 2023.

Lease Commitments

The Company leases offices in 26 cities in North America, South America, Europe, Asia and Australia, and certain equipment subject to operating lease agreements expiring through 2039, some of which may include options to extend or terminate the lease. As of June 30, 2023, there were no finance leases outstanding.

The components of lease expense included in general, administrative and other expenses in the condensed consolidated statements of income were as follows:

	Three Months Ended June 30,	
	2023	2022
Operating lease cost[1]	$ 3,837	$ 3,044
Variable lease cost	154	224
Sublease income	(374)	(346)
Total lease cost	$ 3,617	$ 2,922

(1) Operating lease cost includes an immaterial amount of short-term leases.

Supplemental cash flow information related to leases was as follows:

	Three Months Ended June 30,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	$ 3,182	$ 2,208
Weighted-average remaining lease term for operating leases (in years)	12.0	8.1
Weighted-average discount rate for operating leases	4.6 %	3.1 %

(in thousands, except share and per share amounts and where noted)

As of June 30, 2023, maturities of operating lease liabilities were as follows:

Remainder of FY2024	$ 9,110
FY2025	14,299
FY2026	15,419
FY2027	14,605
FY2028	12,678
Thereafter	97,920
Total lease liabilities	164,031
Less: Imputed interest	(47,856)
Total operating lease liabilities	$ 116,175

Unfunded Capital Commitments

As of June 30, 2023 and March 31, 2023, the Company, generally in its capacity as general partner or managing member of the StepStone Funds, had unfunded commitments totaling $95.0 million and $88.7 million, respectively. The $95.0 million and $88.7 million of unfunded commitments as of June 30, 2023 and March 31, 2023, respectively, exclude $50.1 million and $50.6 million, respectively, related to commitments held by general partner entities for certain funds in which the Company does not hold any direct economic interests, including the legacy Greenspring funds.

Carried Interest Allocations

Carried interest allocations are subject to reversal in the event of future losses, to the extent of the cumulative revenues recognized by the Company in income to date. Additionally, if the Company has received net profits over the life of the fund in excess of its allocable share under the applicable partnership agreement, the Company may be obligated to repay previously distributed carried interest that exceeds the amounts to which the Company is ultimately entitled. In these situations, a liability is accrued for the potential clawback obligation if amounts previously distributed to the Company would require repayment to a fund if such fund were to be liquidated based on the current fair value of their underlying investments as of the reporting date. Actual repayment obligations generally do not become realized until the end of a fund's life. As of June 30, 2023 and March 31, 2023, no material amounts for potential clawback obligations had been accrued. This contingent obligation is normally reduced by income taxes that the Company has paid related to the carried interest allocations. As of June 30, 2023, the maximum amount of carried interest allocations (excluding legacy Greenspring carried interest allocations) attributable to the Company subject to contingent repayment was an estimated $271.2 million, net of tax, assuming the fair value of all investments was zero, a possibility that the Company views as remote.

Indemnification Arrangements

In the normal course of business and consistent with standard business practices, the Company has provided general indemnifications to its limited partners, officers and directors when they act in good faith in the performance of their duties for the Company. The terms of these indemnities vary from contract to contract. The Company's maximum exposure under these arrangements cannot be determined as these indemnities relate to future claims that may be made against the Company or related parties, but which have not yet occurred. No liability related to these indemnities has been recorded in the condensed consolidated balance sheets as of June 30, 2023 and March 31, 2023. Based on past experience, management believes that the risk of loss related to these indemnities is remote.

15. Subsequent Events

On August 3, 2023, the Company announced a quarterly cash dividend of $0.21 per share of Class A common stock, payable on September 15, 2023 to holders of record as of the close of business on August 31, 2023.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes included within this quarterly report on Form 10-Q and our audited financial statements, the related notes, and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our annual report on Form 10-K for the fiscal year ended March 31, 2023 filed with the SEC. In this quarterly report, references to “we,” “us,” “our,” “StepStone” and similar terms refer to SSG and its consolidated subsidiaries, including the Partnership.

Business Overview

We are a global private markets investment firm focused on providing customized investment solutions and advisory, data and administrative services to our clients. Our clients include some of the world’s largest public and private defined benefit and defined contribution pension funds, sovereign wealth funds and insurance companies, as well as prominent endowments, foundations, family offices and private wealth clients, which include high-net-worth and mass affluent individuals. We partner with our clients to develop and build private markets portfolios designed to meet their specific objectives across the private equity, infrastructure, private debt and real estate asset classes. These portfolios utilize several types of synergistic investment strategies with third-party fund managers, including commitments to funds (“primaries”), acquiring stakes in existing funds on the secondary market (“secondaries”) and investing directly into companies (“co-investments”). As of June 30, 2023, we were responsible for approximately $640 billion of total capital, including $143 billion of AUM and $497 billion of AUA.

We are a global firm and believe that our multi-asset class expertise, local knowledge, business relationships, proprietary data and technology, and presence are all critical to securing a competitive edge in the private markets. We deploy a local staffing model, operating from 26 cities across 16 countries on five continents. Our offices are staffed by investment professionals who bring valuable regional insights and language proficiency to enhance existing client relationships and build new client relationships. Since our inception in 2007, we have invested and continue to invest heavily in our platforms to drive growth and expand our investment solutions capabilities and service offerings, including through opportunistic transactions that have helped accelerate the growth of our team and capabilities. As of June 30, 2023, we had 966 total employees, including 323 investment professionals and 643 employees across our operating team and implementation teams dedicated to sourcing, executing, analyzing and monitoring private markets opportunities.

We have a flexible business model whereby many of our clients engage us for solutions across multiple asset classes and investment strategies. Our solutions are typically offered in the following commercial structures:

- *Separately managed accounts (“SMAs”)*. Owned by one client and managed according to their specific preferences, SMAs integrate a combination of primaries, secondaries and co-investments across one or more asset classes. SMAs are meant to address clients’ specific portfolio objectives with respect to return, risk tolerance, diversification and liquidity. SMAs, including directly managed assets, comprised $85 billion of our AUM as of June 30, 2023.

- *Focused commingled funds.* Owned by multiple clients, our focused commingled funds deploy capital in specific asset classes with defined investment strategies. Focused commingled funds comprised $44 billion of our AUM as of June 30, 2023.

- *Advisory, data and administrative services.* These services include one or more of the following for our clients: (i) recurring support of portfolio construction and design; (ii) discrete or project-based due diligence, advice and investment recommendations; (iii) detailed review of existing private markets investments, including portfolio-level repositioning recommendations where appropriate; (iv) consulting on investment pacing, policies, strategic plans, and asset allocation to investment boards and committees; (v) licensed access to our proprietary data and technology platforms, including StepStone Private Markets Intelligence ("SPI") Research and our other proprietary tools, and (vi) administrative services to unaffiliated investment advisors. Advisory relationships comprised $497 billion of our AUA and $13 billion of our AUM as of June 30, 2023.

- *Portfolio analytics and reporting.* We provide clients with tailored reporting packages, including customized performance benchmarks as well as associated compliance, administrative and tax capabilities. Mandates for portfolio analytics and reporting services typically include licensed access to our proprietary performance monitoring software, SPI Reporting (formerly known as Omni). SPI Reporting tracked detailed information on over $955 billion of client commitments as of June 30, 2023, inclusive of our total capital responsibility, previously exited investments and investments of former clients.

We generate revenues from management and advisory fees and performance fees earned pursuant to contractual arrangements with our funds and our clients. We also invest our own capital in the StepStone Funds we manage to align our interests with those of our clients. Through these investments, we earn a pro-rata share of the results of such funds and may also be entitled to an allocation of performance-based fees from the limited partners in the StepStone Funds, commonly referred to as carried interest.

Trends Affecting Our Business

Our business is affected by a variety of factors, including conditions in the financial markets and economic and political conditions. Changes in global economic conditions and regulatory or other governmental policies or actions can materially affect the values of the StepStone Funds' holdings and the ability to source attractive investments and completely utilize the capital that we have raised. However, we believe our disciplined investment philosophy across our diversified investment strategies has historically contributed to the stability of our performance throughout market cycles. Furthermore, we operate at scale across all four private markets asset classes and service clients across a broad range of geography, type, and size, which contributes to our operating resilience and mitigates against concentration risk.

In addition to these macroeconomic trends and market factors, we believe our future performance will be influenced by the following factors:

- *The extent to which clients favor private markets investments.* Our ability to attract new capital is partially dependent on clients' views of private markets relative to traditional asset classes. We believe our fundraising efforts will continue to be subject to certain fundamental asset management trends, including (1) the increasing importance and market share of private markets investment strategies to clients of all types as clients focus on lower-correlated and absolute levels of return, (2) the increasing demand for private markets investments from private wealth clients, (3) shifting asset allocation policies of institutional clients and (4) increasing barriers to entry and growth for potential competitors.

- *Our ability to generate strong, stable returns.* Our ability to raise and retain capital is partially dependent on the investment returns we are able to generate for our clients and drives growth in our fee-earning AUM ("FEAUM") and management fees. Although our FEAUM and management fees have grown significantly since our inception, adverse market conditions or an outflow of capital in the private markets management industry in general could affect our future growth rate. In addition, market dislocations, contractions or volatility could put pressure on our returns in the future which could in turn affect our fundraising abilities.

- *Our ability to maintain our data advantage relative to competitors.* Our proprietary data and technology platforms, analytical tools and deep industry knowledge allow us to provide our clients with customized investment solutions, including asset management services and tailored reporting packages, such as customized performance benchmarks as well as compliance, administration and tax capabilities. Our ability to maintain our data advantage is dependent on a number of factors, including our continued access to a broad set of private market information and our ability to grow our relationships with fund managers and clients of all types.

- *Our ability to source investments with attractive risk-adjusted returns.* The continued growth in our revenues is dependent on our ability to identify attractive investments and deploy the capital that we have raised. However, the capital deployed in any one quarter may vary significantly from period to period due to the availability of attractive opportunities and the long-term nature of our investment strategies. Our ability to identify attractive investments is dependent on a number of factors, including the general macroeconomic environment, valuation, transaction size, and the liquidity of an investment opportunity. A significant decrease in the quality or quantity of potential opportunities could significantly and adversely affect our ability to source investments with attractive risk-adjusted returns.

- *Increased competition and clients' desire to work with fewer managers.* There has been an increasing desire on the part of larger institutional investors to build deeper relationships with fewer private markets managers. At times, this has led to certain funds being oversubscribed due to the increasing flow of capital. Our ability to invest and maintain our relationships with high-performing fund managers across private markets asset classes is critical to our clients' success and our ability to maintain our competitive position and grow our revenue.

Current Events

In 2022, financial markets experienced increased volatility amid rising interest rates, slowing economic growth, persistently high inflation and the ongoing Russia-Ukraine conflict. Central banks around the world pursued monetary policy tightening in an effort to bring down inflation to target rates, stoking recession fears. In the first half of calendar 2023, signs of slowing inflation coupled with a strong labor market contributed to a rebound in financial markets despite banking system volatility as recession fears receded in anticipation that interest rates may not rise as much as previously expected.

We are continuing to closely monitor developments related to inflation, rising interest rates, the ongoing Russia-Ukraine conflict and banking system volatility, and to assess the impact on financial markets and on our business. Our results and the overall industry results have been and may continue to be adversely affected by slowdowns in fundraising activity and the pace of capital deployment, which have resulted in, and may continue to result in, delayed or decreased management fees. Further, fund managers have been unable or less able to profitably exit existing investments. Such conditions have resulted in, and may continue to result in, delayed or decreased performance fee revenues. It is currently not possible to predict the ultimate effects of these events on the financial markets, overall economy and our condensed consolidated financial statements. See "Risk Factors—Risks Related to Our Industry—Difficult or volatile market and political conditions can adversely affect our business by reducing the market value of the assets we manage, causing our clients to reduce their investments in private markets, reducing the number of high-quality investment managers with whom we may invest, and reducing the ability of our funds to raise or deploy capital" and "Risk Factors—Banking system volatility may adversely affect the results and financial condition of the StepStone Funds or StepStone generally" included in our annual report on Form 10-K for the fiscal year ended March 31, 2023.

Corporate Transactions

Private Wealth Transaction

In November 2022, we entered into new arrangements with the StepStone Group Private Wealth LLC (“SPW”) management team, which are intended to update the legacy SPW compensation structure to better incentivize the SPW team to grow the platform, while ensuring the platform will remain part of StepStone going forward (the “Private Wealth Transaction”). SPW, which was formerly known as Conversus, is the platform established by us to expand access to the private markets for accredited investors. At the establishment of the platform, the SPW management team were provided an ability to acquire the platform from us in exchange for an amount which would have provided us a return of our initial investment plus an equity return.

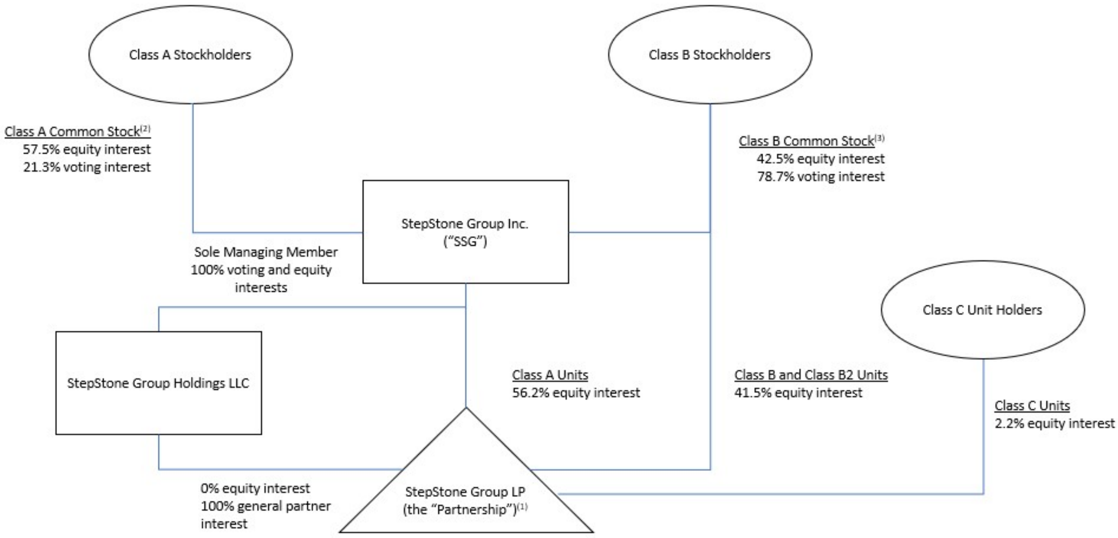
As part of the new arrangements, certain members of the SPW team received a profits interest in SPW and concurrently entered into an option agreement which provides that, (i) we have the right to acquire the profits interest at the end of any fiscal quarter after June 30, 2027, in exchange for payment of a call price and (ii) the SPW management team, through an entity named CH Equity Partners, LLC (formerly known as Conversus Holdings LLC), has the right to put the profits interest to us on June 30, 2026 or at the end of any fiscal quarter thereafter, in exchange for payment of a put price. The applicable call or put price is, in certain circumstances, subject to an earn-out or earn-down. The call or put price will be payable in cash unless we elect to pay a portion of the consideration in units of the Partnership, each to be exchangeable into shares of our Class A common stock, and, in either case, rights under one or more tax receivable agreements.

Organizational Structure

SSG is a holding company and its only business is to act as the managing member of the General Partner, and its only material assets are Class A units in the Partnership and 100% of the interests in the General Partner. In its capacity as the sole managing member of the General Partner, SSG indirectly operates and controls all of the Partnership’s business and affairs. Therefore, we consolidate the financial results of the Partnership and report non-controlling interests (“NCI”) related to the Class B units and Class C units held by partners of the Partnership in our consolidated financial statements.

Pursuant to the StepStone Limited Partnership Agreement, the Class B Exchange Agreement and Class C Exchange Agreement that SSG and the Partnership entered into with partners holding Class B units and Class C units of the Partnership, respectively, each Class B unit or Class C unit is exchangeable for one share of SSG’s Class A common stock or, at SSG’s election, for cash, subject to certain restrictions specified in the relevant exchange agreement. When a Class B unit or Class C unit is surrendered for exchange, it will not be available for reissuance. When a Class B unit is exchanged for a share of SSG’s Class A common stock, a corresponding share of SSG’s Class B common stock will automatically be redeemed by SSG at par value and canceled. There are no corresponding shares of common stock for the Class C units.

The diagram below illustrates our organizational structure as of June 30, 2023.



Amounts may not sum to 100% due to rounding.

(1) The partners of the Partnership other than StepStone Group Inc. are:
- the General Partner, which holds a 100% general partner interest and no economic interests;
- certain members of management, employee owners and outside investors, all of whom own Class B units and an equivalent number of shares of Class B common stock;
- certain members of management and employees who own Class B2 units; and
- certain employee owners who own Class C units.

(2) Each share of Class A common stock is entitled to one vote and vote together with the Class B common stock as a single class, except as set forth in SSG's amended and restated certificate of incorporation or as required by law.

(3) Each share of Class B common stock is entitled to five votes prior to a Sunset (as defined below). After a Sunset becomes effective, each share of our Class B common stock will then entitle its holder to one vote. The economic rights of our Class B common stock are limited to the right to be redeemed at par value.

A "Sunset" is triggered upon the earliest to occur of the following: (i) Monte Brem, Scott Hart, Jason Ment, Jose Fernandez, Johnny Randel, Michael McCabe, Mark Maruszewski, Thomas Keck, Thomas Bradley, David Jeffrey and Darren Friedman (including their respective family trusts and any other permitted transferees, the "Sunset Holders") collectively cease to maintain direct or indirect beneficial ownership of at least 10% of the outstanding shares of Class A common stock (determined assuming all outstanding Class B units have been exchanged for Class A common stock); (ii) the Sunset Holders cease collectively to maintain direct or indirect beneficial ownership of an aggregate of at least 25% of the aggregate voting power of our outstanding Class A common stock and Class B common stock, before giving effect to a Sunset; and (iii) September 18, 2025. As of June 30, 2023 the Sunset Holders collectively maintained direct or indirect beneficial ownership of approximately 31.1% of the Class A common stock (determined assuming all outstanding Class B units have been exchanged for Class A common stock) and approximately 56.3% of the aggregate voting power of our outstanding Class A common stock and Class B common stock.

Key Financial Measures

Our key financial measures are discussed below. Additional information regarding our significant accounting policies can be found in note 2 to our condensed consolidated financial statements included elsewhere in this quarterly report.

Revenues

We generate revenues primarily from management and advisory fees, incentive fees and allocations of carried interest.

Management and Advisory Fees, Net

Management and advisory fees, net, consist of fees received from managing SMAs and focused commingled funds, advisory, data and administrative services, and portfolio analytics and reporting.

- Management fees from SMAs are generally based on a contractual rate applied to committed capital or net invested capital. These fees will vary over the life of the contract due to changes in the fee basis or contractual rate changes or thresholds, built-in declines in applicable contractual rates, and/or changes in net invested capital balances. The weighted-average management fee rate from SMAs was approximately 0.40% and 0.40% of average FEAUM for the twelve months ended June 30, 2022 and 2023, respectively.

- Management fees from focused commingled funds are generally based on a specified fee rate applied against client capital commitments during a defined investment or commitment period. Thereafter, management fees are typically calculated based on a contractual rate applied against net invested capital, or a stepped-down fee rate applied against the initial commitment. The weighted-average management fee rate from focused commingled funds was approximately 0.87% and 0.84% of average FEAUM for the twelve months ended June 30, 2022 and 2023, respectively, and primarily reflected the timing of new funds, and shifts in asset class mix.

- The weighted-average management fee rate across SMAs and focused commingled funds was approximately 0.54% and 0.55% of average FEAUM for the twelve months ended June 30, 2022 and 2023, respectively, and primarily reflected the timing of new funds and shifts in mix between SMAs and focused commingled funds.

- Fee revenues from advisory, StepStone Portfolio Analytics & Reporting (“SPAR”), SPI Research or administrative services are generally annual fixed fees, which vary based on the scope of services we provide. We also provide certain project-based or event-driven advisory services. The fees for these services are negotiated and typically paid upon successful delivery of services or on the execution of the event-driven service. Because advisory fees are negotiated and typically paid upon successful delivery of services or on the execution of the event-driven service, advisory fees do not necessarily correlate with the total size of our AUA.

- Management fees are reflected net of (i) certain professional and administrative services that we arrange to be performed by third parties on behalf of investment funds and (ii) certain distribution and servicing fees paid to third-party financial institutions. In both situations, we are acting as an agent because we do not control the services provided by the third parties before they are transferred to the customer.

Performance Fees

We earn two types of performance fee revenues: incentive fees and carried interest allocations, as described below. As of June 30, 2023, we had over $65 billion of performance fee-eligible capital (excluding certain legacy Greenspring funds) across approximately 190 programs.

Incentive fees comprise fees earned from certain client investment mandates for which we do not have a general partnership interest in a StepStone Fund. Incentive fees are generally calculated as a percentage of the profits (up to 15%) earned in respect of certain accounts, including certain permanent capital vehicles, for which we are the investment adviser, subject to the achievement of minimum return levels or performance benchmarks. Incentive fees are a form of variable consideration and represent contractual fee arrangements in our contracts with our customers. Incentive fees are typically subject to reversal until the end of a defined performance period, as these fees are affected by changes in the fair value of the assets under management or advisement over such performance period. Moreover, incentive fees that are received prior to the end of the defined performance period are typically subject to clawback, net of tax.

We recognize incentive fee revenue only when these amounts are realized and no longer subject to significant risk of reversal, which is typically at the end of a defined performance period and/or upon expiration of the associated clawback period (i.e., crystallization). However, clawback terms for incentive fees received prior to crystallization only require the return of amounts on a net of tax basis. Accordingly, the tax-related portion of incentive fees received in advance of crystallization is not subject to clawback and is therefore recognized as revenue immediately upon receipt. Incentive fees received in advance of crystallization that remain subject to clawback are recorded as deferred incentive fee revenue and included in accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets.

Carried interest allocations include the allocation of performance-based fees, commonly referred to as carried interest, to us from limited partners in the StepStone Funds in which we hold an equity interest. We are entitled to a carried interest allocation (typically 5% to 15%) based on cumulative fund or account performance to date, irrespective of whether such amounts have been realized. These carried interest allocations are subject to the achievement of minimum return levels (typically 5% to 10%), in accordance with the terms set forth in the respective fund's governing documents. We account for our investment balances in the StepStone Funds, including carried interest allocations, under the equity method of accounting because we are presumed to have significant influence as the general partner or managing member. Accordingly, carried interest allocations are not deemed to be within the scope of Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*.

Legacy Greenspring carried interest allocations include the allocation of carried interest to legacy Greenspring general partner entities from limited partners in certain legacy Greenspring funds in which the legacy Greenspring general partner entities hold an equity interest. The legacy Greenspring general partner entities are entitled to a carried interest allocation (typically 5% to 20%) based on cumulative fund or account performance to date, irrespective of whether such amounts have been realized. We account for the investment balances in the legacy Greenspring funds, including carried interest allocations, under the equity method of accounting because we are presumed to have significant influence as the general partner or managing member. Accordingly, legacy Greenspring carried interest allocations are not deemed to be within the scope of ASC 606. We do not have any direct economic interests in the legacy Greenspring general partner entities and thus are not entitled to any carried interest allocation from the legacy Greenspring funds. All of the carried interest allocations in respect of such legacy Greenspring funds are payable to employees who are considered affiliates to us and are therefore reflected as legacy Greenspring performance fee-related compensation in the consolidated statements of income.

We recognize revenue attributable to carried interest allocations from a StepStone Fund based on the amount that would be due to us pursuant to the fund's governing documents, assuming the fund was liquidated based on the current fair value of its underlying investments as of that date. Accordingly, the amount recognized as carried interest allocation revenue reflects our share of the gains and losses of the associated fund's underlying investments measured at their then-fair values, relative to the fair values as of the end of the prior period. We record the amount of carried interest allocated to us as of each period end as accrued carried interest allocations, which is included as a component of investments in the condensed consolidated balance sheets. Our determination of fair value for investments in the underlying funds includes various valuation techniques. These techniques may include a market approach, recent transaction price, net asset value approach, or discounted cash flows, and may use one or more significant unobservable inputs such as EBITDA, revenue multiples, discount rates, weighted-average cost of capital, exit multiples, or terminal growth rates.

Carried interest is realized when an underlying investment is profitably disposed of and the fund's cumulative returns are in excess of the specific hurdle rates, as defined in the applicable governing documents. Carried interest is subject to reversal to the extent that the amount received to date exceeds the amount due to us based on cumulative results. As such, a liability is accrued for the potential clawback obligations if amounts previously distributed to us would require repayment to a fund if such fund were to be liquidated based on the current fair value of their underlying investments as of the reporting date. Actual repayment obligations generally do not become realized until the end of a fund's life. As of June 30, 2023 and March 31, 2023, no material amounts for potential clawback obligations had been accrued.

Expenses

Cash-based compensation primarily includes salaries, bonuses, employee benefits and employer-related payroll taxes.

Equity-based compensation represents grants of equity related awards or arrangements to certain employees and directors.

Performance fee-related compensation represents the portion of carried interest allocation revenue and incentive fees that have been awarded to employees as a form of long-term incentive compensation. Performance fee-related compensation is generally tied to the investment performance of the StepStone Funds. Approximately 50% of carried interest allocation revenue is awarded to employees as part of our long-term incentive compensation plan, fostering alignment of interest with our clients and investors, and retaining key investment professionals. Carried interest-related compensation is accounted for as compensation expense in conjunction with the related carried interest allocation revenue and, until paid, is recorded as a component of accrued carried interest-related compensation in the condensed consolidated balance sheets. Carried interest-related compensation expense also includes the portion of net carried interest allocation revenue attributable to equity holders of our consolidated subsidiaries that are not 100% owned by us. Amounts presented as realized indicate the amounts paid or payable to employees based on the receipt of carried interest allocation revenue from realized investment activity. Carried interest-related compensation expense may be subject to reversal to the extent that the related carried interest allocation revenue is reversed. Carried interest-related compensation paid to employees may be subject to clawback on an after-tax basis under certain scenarios. To date, no material amounts of realized carried interest-related compensation have been reversed. Incentive fee-related compensation is accrued as compensation expense when it is probable and estimable that payment will be made.

Legacy Greenspring performance fee-related compensation represents the legacy Greenspring carried interest allocations which are entirely payable to certain employees. Legacy Greenspring carried interest-related compensation is accounted for as compensation expense in conjunction with the related legacy Greenspring carried interest allocation revenue and, until paid, is recorded as a component of legacy Greenspring accrued carried interest-related compensation in the condensed consolidated balance sheets. Legacy Greenspring carried interest-related compensation expense may be subject to reversal to the extent that the related legacy Greenspring carried interest allocation revenue is reversed. However, none of the legacy Greenspring carried interest allocation revenue is attributable to the Company.

General, administrative and other includes occupancy, travel and related costs, insurance, legal and other professional fees, depreciation, amortization of intangible assets, system-related costs, and other general costs associated with operating our business. Beginning in the quarter ended December 31, 2022, general, administrative and other includes costs associated with the Consolidated Funds. Expenses of the Consolidated Funds have no impact on net income or loss attributable to us to the extent such expenses are borne by third-party investors.

Other Income (Expense)

Investment income (loss) primarily represents our share of earnings (losses) from the investments we make in our SMAs and focused commingled funds. We, either directly or through our subsidiaries, generally have a general partner interest in the StepStone Funds, which invest in primary funds, secondary funds and co-investment funds, or a combination thereof. Investment income will increase or decrease based on the earnings of the StepStone Funds, which are primarily driven by net realized and unrealized gains (losses) on the underlying investments held by the funds. Our co-investment funds invest in underlying portfolio companies and therefore their valuation changes from period to period are more influenced by individual companies than our primary and secondary funds, which have exposures across multiple portfolio companies in underlying private markets funds. Our SMAs and focused commingled funds invest across various industries, strategies and geographies.

Consequently, our general partner investments do not include any significant concentrations in a specific sector or geography outside the United States. Investment income and legacy Greenspring investment income exclude carried interest allocations, which are presented as revenues as described above.

Legacy Greenspring investment income (loss) represents our share of earnings (losses) from the investments we make in certain legacy Greenspring funds through the legacy Greenspring general partner entities. We have no direct economic interests in the legacy Greenspring general partner entities. As a result, all such income is reflected as non-controlling interests in legacy Greenspring entities. Legacy Greenspring investment income will increase or decrease based on the earnings of such legacy Greenspring funds, which are primarily driven by net realized and unrealized gains (losses) on the underlying investments held by the funds.

Investment income (loss) of Consolidated Funds represents gains (losses) from the investments held by the Consolidated Funds.

Interest income consists of income earned on cash and cash equivalents, restricted cash and certificates of deposit. The three months ended June 30, 2023 includes amounts associated with the Consolidated Funds.

Interest expense primarily consists of the interest expense on the Revolver, as well as the related amortization of deferred financing costs.

Other income (loss) includes foreign currency transaction gains and losses and non-operating activities. The three months ended June 30, 2023 includes amounts associated with the Consolidated Funds

Income Tax Expense

We are a corporation for U.S. federal income tax purposes and therefore are subject to U.S. federal and state income taxes on our share of taxable income generated by the Partnership. The Partnership is treated as a pass-through entity for U.S. federal and state income tax purposes. As such, income generated by the Partnership flows through to its limited partners, including us, and is generally not subject to U.S. federal or state income tax at the Partnership level. Our non-U.S. subsidiaries generally operate as corporate entities in non-U.S. jurisdictions, with certain of these entities subject to local or non-U.S. income taxes. Additionally, certain of our subsidiaries are subject to local jurisdiction income taxes at the entity level which are reflected within income tax expense in the condensed consolidated statements of income. As a result, the Partnership does not record U.S. federal and state income taxes on income generated by the Partnership or its subsidiaries, except for certain local and foreign income taxes discussed above.

Non-Controlling Interests

Non-controlling interests reflect the portion of income or loss and the corresponding equity attributable to third-party equity holders and employees in certain consolidated subsidiaries that are not 100% owned by us. Non-controlling interests are presented as separate components in our condensed consolidated statements of income to clearly distinguish between our interests and the economic interests of third parties and employees in those entities. Net income (loss) attributable to SSG, as reported in the condensed consolidated statements of income, is presented net of the portion of net income (loss) attributable to holders of non-controlling interests.

Non-controlling interests in subsidiaries represent the economic interests in the consolidated subsidiaries of the Partnership held by third parties and employees in those entities. Non-controlling interests in subsidiaries are allocated a share of income or loss in the respective consolidated subsidiary in proportion to their relative ownership interests, after consideration of contractual arrangements that govern allocations of income or loss.

Non-controlling interests in legacy Greenspring entities represent the economic interests in the legacy Greenspring general partner entities. We did not acquire any direct economic interests in the legacy Greenspring general partner entities. As a result, all of the net income related to the legacy Greenspring general partner entities is allocated to non-controlling interests in legacy Greenspring entities.

Redeemable non-controlling interests in Consolidated Funds represent the economic interests in the Consolidated Funds which are not held by us, but are held by the third-party investors in the funds. Redeemable non-controlling interests in Consolidated Funds are allocated a share of income or loss in the respective fund in proportion to their relative ownership interests, after consideration of contractual arrangements that govern allocations of income or loss.

Non-controlling interests in the Partnership represent the economic interests in the Partnership held by the Class B and Class C unitholders of the Partnership. Non-controlling interests in the Partnership are allocated a share of income or loss in the Partnership in proportion to their relative ownership interests, after consideration of contractual arrangements that govern allocations of income or loss.

Key Operating Metrics

We monitor certain operating metrics that are either common to the asset management industry or that we believe provide important data regarding our business.

Assets Under Management

AUM primarily reflects the assets associated with our SMAs and focused commingled funds. We classify assets as AUM if we have full discretion over the investment decisions in an account or have responsibility or custody of assets. Although management fees are based on a variety of factors and are not linearly correlated with AUM, we believe AUM is a useful metric for assessing the relative size and scope of our asset management business.

Our AUM is calculated as the sum of (i) the net asset value ("NAV") of client portfolio assets, including the StepStone Funds and (ii) the unfunded commitments of clients to the underlying investments and the StepStone Funds. Our AUM reflects the investment valuations in respect of the underlying investments of our funds and accounts on a three-month lag, adjusted for new client account activity through the period end. Our AUM does not include post-period investment valuation or cash activity. AUM as of June 30, 2023 reflects final data for the prior period (March 31, 2023), adjusted for net new client account activity through June 30, 2023. NAV data for underlying investments is as of March 31, 2023, as reported by underlying managers up to 100 days following March 31, 2023. When NAV data is not available 100 days following March 31, 2023, such NAVs are adjusted for cash activity following the last available reported NAV.

Assets Under Advisement

AUA consists of client assets for which we do not have full discretion to make investment decisions but play a role in advising the client or monitoring their investments. We generally earn revenue for advisory-related services on a contractual fixed fee basis. Advisory-related services include asset allocation, strategic planning, development of investment policies and guidelines, screening and recommending investments, legal negotiations, monitoring and reporting on investments, and investment manager review and due diligence. Advisory fees vary by client based on the scope of services, investment activity and other factors. Most of our advisory fees are fixed, and therefore, increases or decreases in AUA do not necessarily lead to proportionate changes in revenue.

Our AUA is calculated as the sum of (i) the NAV of client portfolio assets for which we do not have full discretion and (ii) the unfunded commitments of clients to the underlying investments. Our AUA reflects the investment valuations in respect of the underlying investments of our client accounts on a three-month lag, adjusted for new client account activity through the period end. Our AUA does not include post-period investment valuation or cash activity. AUA as of June 30, 2023 reflects final data for the prior period (March 31, 2023), adjusted for net new client account activity through June 30, 2023. NAV data for underlying investments is as of March 31, 2023, as reported by underlying managers up to 100 days following March 31, 2023. When NAV data is not available 100 days following March 31, 2023, such NAVs are adjusted for cash activity following the last available reported NAV.

Fee-Earning AUM

FEAUM reflects the assets from which we earn management fee revenue (i.e., fee basis) and includes assets in our SMAs, focused commingled funds and assets held directly by our clients for which we have fiduciary oversight and are paid fees as the manager of the assets. Our SMAs and focused commingled funds typically pay management fees based on capital commitments, net invested capital and, in certain cases, NAV, depending on the fee terms. Management fees are only marginally affected by market appreciation or depreciation because substantially all of the StepStone Funds pay management fees based on capital commitments or net invested capital. As a result, management fees and FEAUM are not materially affected by changes in market value.

Our calculation of FEAUM may differ from the calculations of other asset managers and, as a result, may not be comparable to similar measures presented by other asset managers.

Undeployed Fee-Earning Capital

Undeployed fee-earning capital represents the amount of capital commitments to StepStone Funds that has not yet been invested or considered active but will generate management fee revenue once this capital is invested or activated.

Consolidation of StepStone Funds

Beginning in the quarter ended December 31, 2022, we consolidated one investment fund for which we are deemed to have a controlling financial interest. The activity of the Consolidated Funds is reflected within the condensed consolidated financial statement line items as indicated by reference thereto. The impact of the Consolidated Funds decrease revenues reported under GAAP to the extent these amounts are eliminated upon consolidation. The assets and liabilities of our Consolidated Funds are held within separate legal entities and, as a result, the liabilities of our Consolidated Funds are typically non-recourse to us. The net economic ownership interests of our Consolidated Funds held by third parties are reflected as redeemable non-controlling interests in Consolidated Funds in our condensed consolidated financial statements. We generally deconsolidate funds when we are no longer deemed to have a controlling financial interest in the entity. The performance of our Consolidated Funds is not necessarily consistent with, or representative of, the combined performance trends of all of our funds.

Consolidated Results of Operations

We consolidate funds and entities where we are deemed to hold a controlling financial interest. The Consolidated Funds are not necessarily the same entities in each year presented due to changes in ownership, changes in limited partners' or investor rights, and the creation and termination of funds and entities. The following is a discussion of our unaudited consolidated results of operations for the periods presented. The information is derived from our accompanying condensed consolidated financial statements prepared in accordance with GAAP.

	Three Months Ended June 30,	
(in thousands)	**2023**	**2022**
Revenues		
Management and advisory fees, net	$ 138,115	$ 116,732
Performance fees:		
Incentive fees	6	—
Carried interest allocations:		
Realized	14,473	73,607
Unrealized	49,364	(113,950)
Total carried interest allocations	63,837	(40,343)
Legacy Greenspring carried interest allocations[1]	(23,947)	(153,607)
Total revenues	178,011	(77,218)
Expenses		
Compensation and benefits:		
Cash-based compensation	70,081	60,061
Equity-based compensation	8,472	3,714
Performance fee-related compensation:		
Realized	9,102	41,735
Unrealized	24,211	(54,553)
Total performance fee-related compensation	33,313	(12,818)
Legacy Greenspring performance fee-related compensation[1]	(23,947)	(153,607)
Total compensation and benefits	87,919	(102,650)
General, administrative and other	33,277	34,232
Total expenses	121,196	(68,418)
Other income (expense)		
Investment income (loss)	3,086	(1,101)
Legacy Greenspring investment loss[1]	(2,866)	(8,604)
Investment income of Consolidated Funds	2,362	—
Interest income	431	11
Interest expense	(2,012)	(587)
Other income (loss)	227	(1,104)
Total other income (expense)	1,228	(11,385)
Income (loss) before income tax	58,043	(20,185)
Income tax expense	8,597	1,286
Net income (loss)	49,446	(21,471)
Less: Net income attributable to non-controlling interests in subsidiaries	9,630	7,571
Less: Net loss attributable to non-controlling interests in legacy Greenspring entities[1]	(2,866)	(8,604)
Less: Net income (loss) attributable to non-controlling interests in the Partnership	19,860	(9,398)
Less: Net income attributable to redeemable non-controlling interests in Consolidated Funds	1,553	—
Net income (loss) attributable to StepStone Group Inc.	$ 21,269	$ (11,040)

(1) Reflects amounts attributable to consolidated VIEs for which we did not acquire any direct economic interests. See notes 3 and 5 to our condensed consolidated financial statements included elsewhere in this quarterly report.

Revenues

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Total revenues increased $255.2 million to $178.0 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, due to a lower reversal of legacy Greenspring carried interest allocations in the current period as compared to the first quarter of the prior fiscal year, positive carried interest allocations in the current period as compared to negative carried interest allocations in the prior year period and an increase in net management and advisory fees, in each case, as described below.

Net management and advisory fees increased $21.4 million, or 18%, to $138.1 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase was driven by new client activity and 12% growth in average FEAUM across the platform. The three months ended June 30, 2023 included retroactive fees of $2.8 million from the closings of StepStone's private equity secondaries, multi-strategy global venture capital and infrastructure co-investment funds, and the three months ended June 30, 2022 included retroactive fees of $2.4 million from the final closing of StepStone Capital Partners V fund.

Incentive fees were $6 thousand for the three months ended June 30, 2023. There were no incentive fees in the prior year period.

Realized carried interest allocation revenues decreased $59.1 million, or 80%, to $14.5 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, reflecting lower realization activity within our private equity funds. Unrealized carried interest allocation revenues include the reversal of realized carried interest allocation revenues. Excluding the reversal of $14.5 million, unrealized carried interest allocation revenues increased $104.2 million to $63.8 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase in unrealized carried interest allocations for the three months ended June 30, 2023 primarily reflected a net increase in the cumulative allocation of gains associated with the underlying portfolios within our private equity funds.

Legacy Greenspring carried interest allocation revenues increased $129.7 million to $(23.9) million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The three months ended June 30, 2023 reflect gross realized carried interest allocations of $0.9 million and unrealized carried interest allocations, net of the reversal of realized carried interest allocations, of $(24.9) million. The three months ended June 30, 2022 reflect gross realized carried interest allocations of $29.6 million and unrealized carried interest allocations, net of the reversal of realized carried interest allocations, of $(183.2) million.

Expenses

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Total expenses increased $189.6 million, to $121.2 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, due to a lower reversal of legacy Greenspring performance fee-related compensation, increases in performance fee-related compensation, cash-based compensation and equity-based compensation, partially offset by a decrease in general, administrative and other expenses in each case, as described below.

Cash-based compensation increased $10.0 million, or 17%, to $70.1 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, due to increased staffing and compensation levels. Our average full-time headcount increased 18% in the current year period as compared to the prior year period.

Equity-based compensation increased $4.8 million, or 128%, to $8.5 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase was primarily attributable to the inclusion of expense related to liability classified awards in the current year period and no comparable expense in the prior year period, as well as additional grants of RSUs granted in February 2023 and no comparable expense in the prior year period.

Performance fee-related compensation expense increased $46.1 million to $33.3 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily reflecting the increase in carried interest allocation revenue. Realized performance fee-related compensation decreased $32.6 million, or 78%, to $9.1 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily reflecting lower realization activity.

Legacy Greenspring performance fee-related compensation expense increased $129.7 million to $(23.9) million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The three months ended June 30, 2023 reflect gross realized performance fee-related compensation expense of $0.9 million and unrealized performance fee-related compensation expense, net of the reversal of realized performance fee-related compensation expense, of $(24.9) million. The three months ended June 30, 2022 reflect gross realized performance fee-related compensation expense of $29.6 million and unrealized performance fee-related compensation expense, net of the reversal of realized performance fee-related compensation expense, of $(183.2) million.

General, administrative and other expenses decreased $1.0 million, or 3%, to $33.3 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The overall decrease primarily reflected decreases of $4.5 million due to gain on change in fair value for contingent consideration obligation as compared to a loss in the prior year period and $0.9 million in human resources and recruiting expenses, partially offset by increases of $1.0 million of professional fees, $0.8 million of travel and associated costs for investment evaluation and client service, $0.7 million of occupancy costs, $0.7 million in information and technology expenses, $0.6 million in accelerated depreciation for leasehold improvements due to a reduction in lease terms and other general operating expenses.

Other Income (Expense)

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Investment income (loss) increased $4.2 million to income of $3.1 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily reflecting overall changes in the valuations of the underlying investments in the StepStone Funds.

Legacy Greenspring investment loss decreased $5.7 million to $2.9 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The three months ended June 30, 2023 reflect gross realized investment income of $0.2 million and unrealized investment loss, net of the reversal of realized investment income, of $3.1 million. The three months ended June 30, 2022 reflect gross realized investment income of $1.6 million and unrealized investment loss, net of the reversal of realized investment income, of $(10.2) million.

Investment income of Consolidated Funds of $2.4 million for the three months ended June 30, 2023 reflects overall changes in the valuations of the underlying investments of the Consolidated Funds.

Interest income increased $0.4 million, or 3,818%, to $0.4 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily due to higher average interest rates earned on cash and cash equivalent balances. Interest income attributable to Consolidated Funds was $0.2 million in the current year period as compared to zero in the prior year period.

Interest expense increased $1.4 million, or 243%, to $2.0 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase was due to higher average interest rates, and higher average outstanding balances under the Revolver during the current year period, as compared with the prior year period.

Other income (loss) increased $1.3 million to income of $0.2 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily reflecting net foreign currency transaction gains in the current year period as compared with net foreign currency transaction losses in the prior year period.

Income Tax Expense

Income tax expense primarily reflects U.S. federal and state income taxes on our share of taxable income generated by the Partnership, as well as local and foreign income taxes of certain of the Partnership's subsidiaries.

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Our effective income tax rate was 14.8% and (6.4)% for the three months ended June 30, 2023 and 2022, respectively. Our overall effective tax rate in each of the periods described above is less than the statutory rate as a portion of income was allocated to non-controlling interests and the tax liability on such income is borne by the holders of non-controlling interests. The primary rate difference was due to the pre-tax income during the three months ended June 30, 2023 compared to pre-tax losses during the three months ended June 30, 2022 and an increase in foreign tax expense for the three months ended June 30, 2023. Additionally, for the three months ended June 30, 2022, there were certain tax expense adjustments that were recorded to our outside basis difference in the Partnership that did not reoccur in the three months ended June 30, 2023.

Income tax expense increased $7.3 million, or 569%, to $8.6 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase in income tax expense was primarily driven by pre-tax income for the three months ended June 30, 2023 compared to pre-tax net loss for the three months ended June 30, 2022.

Net Income Attributable to Non-Controlling Interests in Subsidiaries

Net income attributable to non-controlling interests in subsidiaries increased $2.1 million, or 27%, to $9.6 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022. The increase was primarily attributable to an increase in income generated by our consolidated subsidiaries not wholly-owned by us.

Net Loss Attributable to Non-Controlling Interests in Legacy Greenspring Entities

Net income (loss) attributable to non-controlling interests in legacy Greenspring entities represents the net income or loss attributable to the interests held by the legacy Greenspring general partner entities. We did not acquire any direct economic interests in the legacy Greenspring general partner entities. As a result, all of the net income or loss related to the legacy Greenspring general partner entities is allocated to non-controlling interests in legacy Greenspring entities. Net loss attributable to non-controlling interests in legacy Greenspring entities was $2.9 million and $8.6 million for the three months ended June 30, 2023 and 2022, respectively.

Net Income (Loss) Attributable to Non-Controlling Interests in the Partnership

Net income (loss) attributable to non-controlling interests in the Partnership represents the portion of net income or loss attributable to the interests held by the Class B and Class C unitholders of the Partnership. Net income (loss) attributable to non-controlling interests in the Partnership was $19.9 million and $(9.4) million for the three months ended June 30, 2023 and 2022, respectively.

Net Income Attributable to Redeemable Non-Controlling Interests in Consolidated Funds

Net income attributable to redeemable non-controlling interests in Consolidated Funds was $1.6 million for the three months ended June 30, 2023, which represents income of the Consolidated Funds attributable to third-party investors.

Operating Metrics

Assets Under Management

AUM was $137 billion as of June 30, 2022, $138 billion as of March 31, 2023 and $143 billion as of June 30, 2023.

Assets Under Advisement

Assets related to our advisory accounts were $452 billion as of June 30, 2022, $482 billion as of March 31, 2023 and $497 billion as of June 30, 2023.

Fee-Earning AUM

Three Months Ended June 30, 2023

FEAUM increased approximately $2.0 billion, or 2%, to $87.4 billion as of June 30, 2023 as compared to $85.4 billion as of March 31, 2023. Of the increase, approximately $1.3 billion was from SMAs and approximately $0.7 billion was from focused commingled funds.

	Three Months Ended June 30, 2023		
(in millions)	**SMAs**	**Focused Commingled Funds**	**Total**
Beginning balance	$ 55,345	$ 30,086	$ 85,431
Contributions[1]	1,425	796	2,221
Distributions[2]	(429)	(252)	(681)
Market value, FX and other[3]	304	132	436
Ending balance	$ 56,645	$ 30,762	$ 87,407

(1) Contributions consist of new capital commitments that earn fees on committed capital and capital contributions to funds and accounts that earn fees on net invested capital or NAV.

(2) Distributions consist of returns of capital from funds and accounts that pay fees on net invested capital or NAV and reductions in fee-earning AUM from funds that moved from a committed capital to net invested capital fee basis or from funds and accounts that no longer pay fees.

(3) Market value, FX and other primarily consist of changes in market value appreciation (depreciation) for funds that pay on NAV and the effect of foreign exchange rate changes on non-U.S. dollar denominated commitments.

The following tables set forth FEAUM by asset class and selected weighted-average management fee rate data:

	As of		
(in millions)	**June 30, 2023**	**March 31, 2023**	**June 30, 2022**
FEAUM			
Private equity	$ 46,539	$ 45,766	$ 41,944
Infrastructure	19,874	19,274	18,395
Private debt	14,865	14,361	12,794
Real estate	6,129	6,030	5,417
Total	$ 87,407	$ 85,431	$ 78,550

	As of		
	June 30, 2023	**March 31, 2023**	**June 30, 2022**
Weighted-average fee rate[(1)]			
Private equity[(2)]	0.67 %	0.66 %	0.66 %
Real estate, infrastructure and private debt asset classes[(3)]	0.41 %	0.41 %	0.40 %
Total	0.55 %	0.54 %	0.54 %

(1) Weighted-average fee rates reflect the applicable management fees for the last 12 months ending on each period presented, and is inclusive of any retroactive fees for such period.
(2) The change in weighted-average fee rates primarily reflected the timing of new funds and shifts in mix between SMAs and focused commingled funds.
(3) The change in weighted-average fee rates primarily reflected the timing of new funds and shifts in asset class mix.

Undeployed Fee-Earning Capital

As of June 30, 2023, we had $16.9 billion of undeployed fee-earning capital, which will generate management fee revenue once this capital is invested or activated.

Non-GAAP Financial Measures

Below is a description of our non-GAAP financial measures. These measures are presented on a basis other than GAAP and should be considered in addition to, and not as a substitute for or superior to, financial measures calculated in accordance with GAAP.

Adjusted Net Income

Adjusted net income ("ANI") is a non-GAAP performance measure that we present on a pre-tax and after-tax basis used to evaluate profitability. ANI represents the after-tax net realized income attributable to us. The components of revenues used in the determination of ANI ("adjusted revenues") comprise net management and advisory fees, incentive fees (including the deferred portion) and realized carried interest allocations. In addition, ANI excludes: (a) unrealized carried interest allocation revenues and related compensation, (b) unrealized investment income or loss, (c) equity-based compensation for awards granted prior to and in connection with our IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in connection with the Private Wealth Transaction, (d) amortization of intangibles and (e) certain other items that we believe are not indicative of our core operating performance, including charges associated with acquisitions and corporate transactions, contract terminations and employee severance. ANI does not reflect legacy Greenspring carried interest allocation revenues, legacy Greenspring carried interest-related compensation and legacy Greenspring investment income as none of the economics are attributable to us. ANI is fully taxed at our blended statutory rate. We believe ANI and adjusted revenues are useful to investors because they enable investors to evaluate the performance of our business across reporting periods.

Adjusted Revenues

Adjusted revenues represents the components of revenues used in the determination of ANI and comprise net management and advisory fees, incentive fees (including the deferred portion) and realized carried interest allocations. We believe adjusted revenues is useful to investors because it presents a measure of realized revenues.

Fee-Related Earnings

Fee-related earnings ("FRE") is a non-GAAP performance measure used to monitor our baseline earnings from recurring management and advisory fees. FRE is a component of ANI and comprises net management and advisory fees, less adjusted expenses which are operating expenses other than (a) performance fee-related compensation, (b) equity-based compensation for awards granted prior to and in connection with our IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in connection with the Private Wealth Transaction, (c) amortization of intangibles, and (d) other non-core operating items. FRE is presented before income taxes. We believe FRE is useful to investors because it provides additional insight into the operating profitability of our business and our ability to cover direct base compensation and operating expenses from total fee revenues.

Adjusted Net Income Per Share

ANI per share measures our per-share earnings assuming all Class B units and Class C units in the Partnership are exchanged for Class A common stock in SSG, including the dilutive impact of outstanding equity-based awards. ANI per share is calculated as ANI divided by adjusted weighted-average shares outstanding. We believe ANI per share is useful to investors because it enables them to better evaluate per-share operating performance across reporting periods.

Fee-Related Earnings

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

FRE increased $7.8 million, or 21%, to $44.4 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily reflecting higher net management and advisory fees, partially offset by higher adjusted cash-based compensation, adjusted general, administrative and other expenses, and adjusted equity-based compensation.

Adjusted Revenues and Adjusted Net Income

Three Months Ended June 30, 2023 Compared to Three Months Ended June 30, 2022

Adjusted revenues decreased $37.6 million, or 20%, to $152.8 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily reflecting lower realized carried interest allocation revenues, partially offset by increases in net management and advisory fees and incentive fees.

ANI decreased $17.7 million, or 38%, to $29.4 million for the three months ended June 30, 2023 as compared to the three months ended June 30, 2022, primarily due to lower net realized performance fee-related earnings (incentive fees, including the deferred portion, plus realized carried interest allocation revenues, less realized performance fee-related compensation) and a higher allocation of income to non-controlling interests. The decrease was partially offset by the increase in FRE as discussed above.

Adjusted Net Income Per Share

The following table shows a reconciliation of diluted weighted-average shares of Class A common stock outstanding to adjusted weighted-average shares outstanding used in the computation of ANI per share for the three months ended June 30, 2023 and 2022.

	Three Months Ended June 30,	
	2023	**2022**
(in thousands, except share and per share amounts)		
Adjusted net income	$ 29,388	$ 47,134
Weighted-average shares of Class A common stock outstanding – Basic	62,834,818	61,144,139
Assumed vesting of RSUs	400,034	798,326
Assumed vesting and exchange of Class B2 units	2,504,618	2,448,833
Exchange of Class B units in the Partnership(1)	46,420,141	47,146,840
Exchange of Class C units in the Partnership(2)	2,514,085	2,928,824
Adjusted weighted-average shares	114,673,696	114,466,962
Adjusted net income per share	$ 0.26	$ 0.41

(1) Assumes the full exchange of Class B units in the Partnership for Class A common stock of SSG pursuant to the Class B Exchange Agreement.
(2) Assumes the full exchange of Class C units in the Partnership for Class A common stock of SSG pursuant to the Class C Exchange Agreement.

Reconciliation of GAAP to Non-GAAP Financial Measures

The table below shows a reconciliation of revenues to adjusted revenues.

(in thousands)	Three Months Ended June 30, 2023	2022
Total revenues	$ 178,011	$ (77,218)
Unrealized carried interest allocations	(49,364)	113,950
Legacy Greenspring carried interest allocations	23,947	153,607
Management and advisory fee revenues for the Consolidated Funds[1]	186	—
Adjusted revenues	$ 152,780	$ 190,339

(1) Reflects the add back of management and advisory fee revenues for the Consolidated Funds, which have been eliminated in consolidation.

The table below shows a reconciliation of GAAP measures to additional non-GAAP measures. We use the non-GAAP measures presented below as components when calculating ANI and FRE.

(in thousands)	Three Months Ended June 30, 2023	2022
GAAP management and advisory fees, net	$ 138,115	$ 116,732
Management and advisory fee revenues for the Consolidated Funds[1]	186	—
Management and advisory fees, net	$ 138,301	$ 116,732
GAAP interest income	$ 431	$ 11
Interest income earned by the Consolidated Funds[2]	(244)	—
Non-GAAP interest income	$ 187	$ 11
GAAP other income (loss)	$ 227	$ (1,104)
Adjustments[3]	(376)	—
Adjusted other loss	$ (149)	$ (1,104)

(1) Reflects the add-back of management and advisory fee revenues for the Consolidated Funds, which have been eliminated in consolidation.
(2) Reflects the removal of interest income earned by the Consolidated Funds.
(3) Reflects the removal of amounts for the removal of the impact of the consolidation of the Consolidated Funds.

The table below shows a reconciliation of income (loss) before income tax to ANI and FRE.

	Three Months Ended June 30,	
(in thousands)	**2023**	**2022**
Income (loss) before income tax	$ 58,043	$ (20,185)
Net income attributable to non-controlling interests in subsidiaries[1]	(10,540)	(8,116)
Net loss attributable to non-controlling interests in legacy Greenspring entities	2,866	8,604
Unrealized carried interest allocations	(49,364)	113,950
Unrealized performance fee-related compensation	24,211	(54,553)
Unrealized investment (income) loss	(2,529)	3,070
Impact of Consolidated Funds	(2,647)	—
Equity-based compensation[2]	7,171	3,071
Amortization of intangibles	10,661	10,871
Non-core items[3]	(50)	3,950
Pre-tax adjusted net income	37,822	60,662
Income taxes[4]	(8,434)	(13,528)
Adjusted net income	29,388	47,134
Income taxes[4]	8,434	13,528
Realized carried interest allocations	(14,473)	(73,607)
Realized performance fee-related compensation[5]	9,102	41,735
Realized investment income	(557)	(1,969)
Incentive fees	(6)	—
Non-GAAP interest income[6]	(187)	(11)
Interest expense	2,012	587
Adjusted other loss[6]	149	1,104
Net income attributable to non-controlling interests in subsidiaries[1]	10,540	8,116
Fee-related earnings	$ 44,402	$ 36,617

(1) Reflects the portion of pre-tax adjusted net income of our subsidiaries attributable to non-controlling interests.

(2) Reflects equity-based compensation for awards granted prior to and in connection with the IPO, profits interests issued by our non-wholly owned subsidiaries, and unrealized mark-to-market changes in the fair value of the profits interests issued in connection with the Private Wealth Transaction.

(3) Includes (income) expense related to accelerated depreciation of leasehold improvements for changes in lease terms ($0.6 million for the three months ended June 30, 2023), (gain) loss on change in fair value for contingent consideration obligation ($(1.2) million and $3.3 million for the three months ended June 30, 2023 and 2022, respectively), compensation paid to certain employees as part of an acquisition earn-out ($0.5 million and $0.6 million for the three months ended June 30, 2023 and 2022, respectively) and other non-core operating income and expenses.

(4) Represents corporate income taxes at a blended statutory rate of 22.3% applied to pre-tax adjusted net income for the three ended June 30, 2023 and 2022, which is based on a federal statutory rate of 21.0% and a combined state, local and foreign rate net of federal benefits of 1.3%.

(5) Includes carried interest-related compensation expense related to the portion of net carried interest allocation revenue attributable to equity holders of the Company’s consolidated subsidiaries that are not 100% owned ($2.2 million and $4.4 million for the three months ended June 30, 2023 and 2022, respectively).

(6) Excludes the impact of consolidating the Consolidated Funds.

Investment Performance

The following table presents information relating to the performance of all the investments that StepStone has recommended and subsequently tracked across asset classes and investment strategies, except as set forth in greater detail below. The data for these investments is generally presented from the inception date of each strategy and asset class through March 31, 2023 and have not been adjusted to reflect acquisitions or disposals of investments subsequent to that date.

The historical results of our investments are not indicative of future results to be expected of existing or new investment funds, and are not a proxy for the performance of our Class A common stock, including because:

- market conditions and investment opportunities may differ from those in the past;
- the performance of our funds is largely based on the NAV (as defined below) of the funds' investments, including unrealized gains, which may never be realized;
- newly-established funds may generate lower investment returns during the period that they initially deploy their capital;
- changes in the global tax and regulatory environment may impact both the investment preferences of our clients and the financing strategies employed by businesses in which particular funds invest, which may reduce the overall capital available for investment and the availability of suitable investments, thereby reducing investment returns in the future;
- competition for investment opportunities, resulting from the increasing amount of capital invested in private markets alternatives, may increase the cost and reduce the availability of suitable investments, thereby reducing investment returns in the future; and
- the industries and businesses in which particular funds invest will vary.

Historical and future returns of investments included in our track record are not directly correlated to potential returns on our Class A common stock.

For the purposes of the following table:

- "Invested capital" refers to the total amount of all investments made by a fund, including commitment-reducing and non-commitment-reducing capital calls;
- "NAV" refers to the estimated fair value of unrealized investments plus any net assets or liabilities associated with the investment as of March 31, 2023;
- "IRR" refers to the annualized internal rate of return for all investments within the relevant investment strategy on an inception-to-date basis as of March 31, 2023 (except as noted otherwise below), based on contributions, distributions and unrealized value;
- "Net IRR" refers to IRR net of fees and expenses charged by both the underlying fund managers and StepStone; and
- "Net TVM" refers to the total value to paid-in capital or invested capital expressed as a multiple, and is calculated as distributions plus unrealized valuations divided by invested capital (including all capitalized costs).

StepStone Performance Summary by Asset Class

PRIVATE EQUITY

INVESTMENT STRATEGY[1,2,4]	NET IRR[3]	NET TVM[3]
Primaries	17.0%	1.6x
Secondaries	17.8%	1.5x
Co-investments	19.7%	1.7x

REAL ESTATE

INVESTMENT STRATEGY[1,4,5]	NET IRR[3]	NET TVM[3]
Core/Core+ fund investments	8.3%	1.5x
Value-add/opportunistic fund investments	9.8%	1.3x
Real estate debt fund investments	5.7%	1.2x
Value-add/opportunistic secondaries & co-investments	14.0%	1.3x

INFRASTRUCTURE

INVESTMENT STRATEGY[1,4,6]	NET IRR[3]
Primaries	10.4%
Secondaries	10.9%
Co-investments[7]	9.4%

PRIVATE DEBT

INVESTMENT STRATEGY[1,4,8]	NET IRR[3]
Direct lending	6.9%
Distressed debt	9.0%
Other[9]	7.3%

(1) Investment returns reflect NAV data for underlying investments as of March 31, 2023, as reported by underlying managers up to 100 days following March 31, 2023. For investment returns where NAV data is not available 100 days following March 31, 2023, such NAVs are adjusted for cash activity following the last available reported NAV. Investment returns are calculated on a constant currency adjusted reporting basis converting non-USD investment cash flows and NAVs to USD using the foreign currency exchange rate corresponding to each client's first cash flow date.

(2) Private equity includes 2,444 investments totaling $173.8 billion of capital commitments and excludes (i) two advisory co-investments, totaling $100.0 million of capital commitments, (ii) all client-directed private equity investments (253 investments totaling $29.4 billion of capital commitments), and (iii) investments for which StepStone does not provide monitoring and reporting services to the client that made the investment.

(3) Net IRR and Net TVM are presented solely for illustrative purposes and do not represent actual returns received by any investor in any of the StepStone Funds represented above and are net of fees and expenses charged by both the underlying investment and hypothetical StepStone fees. The aggregate returns are not indicative of the returns an individual investor would receive from these investments. No individual investor received the aggregate returns described herein as the investments were made across multiple mandates over multiple years. StepStone fees and expenses are based on the following assumptions (management fees and expenses represent an annual rate):

i. Primaries: 25 basis points of net invested capital for management fees (and on NAV for private debt), charged quarterly.

ii. Secondaries: 125 basis points (60 basis points for infrastructure) of capital commitments in years 1 through 4 for management fees, charged quarterly. In year 5, management fees step down to 90% of the previous year's fee; 65 basis points for private debt, assessed quarterly on the net asset value.

iii. Co-investments: 100 basis points (85 and 50 basis points for infrastructure co-investments and direct asset management investments, respectively) on net committed capital for management fees, charged quarterly; 65 basis points for private debt, assessed quarterly on the net asset value.

iv. All investment types assess 5 basis points of capital commitments for fund expenses, charged quarterly, and 1 basis point of capital commitments drawn down in the first cash flow quarter for organizational costs.

v. Private equity and infrastructure secondaries and co-investments include 12.5% and 10.0% of paid and unrealized carry, respectively, with an 8.0% preferred return hurdle. Real estate secondaries and co-investments include 15.0% of paid and unrealized carry, with an 8.0% preferred return hurdle. Private debt secondaries and co-investments include 10.0% of paid and unrealized carry, with an 5.0% preferred return hurdle.

Net IRR and Net TVM for certain investments may have been impacted by StepStone's or the underlying fund manager's use of subscription backed credit facilities by such vehicles. Reinvested/recycled amounts increase contributed capital.

(4) Investments of former clients are included in performance summary past the client termination date until such time as StepStone stops receiving current investment data (quarterly valuations and cash flows) for the investment. At that point, StepStone will then 'liquidate' the fund by entering a distribution amount equal to the last reported NAV, thus ending its contribution to the track record as of that date. Historical performance contribution will be maintained up until the 'liquidation' date.

(5) Real estate includes 472 investments totaling $75.9 billion of capital commitments and excludes (i) all client-directed real estate investments (81 investments totaling $12.1 billion of capital commitments), (ii) 11 secondary/co-investment core/core+ or credit investments, totaling $608.7 million of capital commitments, (iii) four advisory fund investments totaling $463.6 million of capital commitments, and (iv) investments for which StepStone does not provide monitoring and reporting services to the client that made the investment. Includes the discretionary track record of Courtland Partners, Ltd., which StepStone acquired on April 1, 2018 (the “Courtland acquisition”).

(6) Infrastructure includes 232 investments totaling $47.9 billion of capital commitments and excludes (i) 11 infrastructure investments made by the Partnership prior to the formation of the infrastructure subsidiary in 2013 or made prior to the Courtland acquisition totaling $501.9 million of capital commitments, (ii) all client-directed infrastructure investments (27 investments totaling $4.3 billion of capital commitments), and (iii) investments for which StepStone does not provide monitoring and reporting services to the client that made the investment.

(7) Co-investments includes venture capital and growth equity direct investments for private equity, and asset management investments for infrastructure.

(8) Private debt includes 824 investments totaling $44.2 billion of capital commitments and excludes (i) all client-directed debt investments (41 investments, totaling $2.9 billion of capital commitments), (ii) real estate credit investments that were recommended by Courtland Partners, Ltd. prior to the Courtland acquisition (54 investments totaling $5.2 billion of capital commitments), and (iii) investments for which StepStone does not provide monitoring and reporting services to the client that made the investment.

(9) Other includes mezzanine debt, collateralized loan obligations, leasing, regulatory capital, trade finance, intellectual property/royalty, real estate debt and infrastructure debt.

Liquidity and Capital Resources

Sources and Uses of Liquidity

We generate cash primarily from management and advisory fees and realized carried interest allocations. We have historically managed our liquidity and capital resource needs through (a) cash generated from our operating activities, (b) realizations from investment activities, (c) borrowings, interest payments and repayments under credit agreements and other borrowing arrangements, (d) funding capital commitments to our funds, and (e) funding our growth initiatives, including capital expenditures and acquisitions to expand into new businesses.

As of June 30, 2023, we had $92.4 million of cash, cash equivalents and restricted cash ($127.9 million including Consolidated Funds) and $1,399.9 million of investments in StepStone Funds, including $1,277.8 million of accrued carried interest allocations, against $98.5 million in debt obligations, net of debt issuance costs, and $668.7 million in accrued carried interest-related compensation payable.

Ongoing sources of cash include (a) management and advisory fees, which are collected monthly or quarterly, (b) carried interest allocations and incentive fees, which are volatile and largely unpredictable as to amount and timing; and (c) distributions from our investments in the StepStone Funds. We use cash flow from operations and distributions from our investments in the StepStone Funds to pay compensation and related expenses, general and administrative expenses, income taxes, debt service, capital expenditures, dividends to our stockholders and distributions to holders of Partnership units, and to make investments in the StepStone Funds. We believe we will have sufficient cash to meet our obligations for the next 12 months.

Cash Flows

The accompanying condensed consolidated cash flows include the Consolidated Funds, which activities primarily consist of raising capital from third-party investors, purchasing investments, making payment for the operating costs of the fund, generating cash flows from realized income allocations of investments and sales of investments, and making distributions to investors. The Consolidated Funds are accounted for as investment companies and therefore the cash flows from investing activities are included in cash flows from operations.

The following table summarizes our cash flows attributable to operating, investing and financing activities:

	Three Months Ended June 30,	
(in thousands)	**2023**	**2022**
Net cash provided by operating activities	$ 57,587	$ 57,482
Net cash used in investing activities	(14,486)	(7,601)
Net cash used in financing activities	(43,973)	(60,718)
Effect of exchange rate changes	(716)	720
Net decrease in cash, cash equivalents and restricted cash	$ (1,588)	$ (10,117)

Operating Activities

Operating activities provided $57.6 million and $57.5 million of cash for the three months ended June 30, 2023 and 2022, respectively. For the three months ended June 30, 2023 and 2022, respectively, these amounts primarily consisted of the following:

- net income, after adjustments for non-cash items (including unrealized carried interest allocations, unrealized performance fee-related compensation, unrealized investment income and acquisition-related contingent consideration), of $49.1 million and $67.0 million;
- net change in operating assets and liabilities of $17.3 million and $(9.5) million;
- adjustments for unrealized investment income from Consolidated Funds of $(2.4) million and $0 million;
- net purchases of investments of Consolidated Funds of $6.2 million and $0 million; and
- net change in operating assets and liabilities of Consolidated Funds of $(0.3) million and $0 million.

Investing Activities

Investing activities used $14.5 million and $7.6 million of cash for the three months ended June 30, 2023 and 2022, respectively, and primarily consisted of the following amounts:

- net contributions to investments of $4.4 million and $4.2 million;
- net contributions to investments in legacy Greenspring entities of $2.3 million and $3.1 million; and
- purchases of fixed assets of $7.8 million and $0.3 million.

Financing Activities

Financing activities used $44.0 million and $60.7 million of cash for the three months ended June 30, 2023 and 2022, respectively, and primarily consisted of the following:

- distributions to non-controlling interests of $25.7 million and $45.2 million;
- proceeds from capital contributions to legacy Greenspring entities of $2.6 million and $5.0 million;
- distributions to non-controlling interests in legacy Greenspring entities of $0.5 million and $3.5 million;
- dividends paid to common stockholders of $28.3 million and $12.2 million;
- payments to related parties under the Tax Receivable Agreements of $7.7 million and $4.8 million; and
- contributions from redeemable non-controlling interests in Consolidated Funds of $15.5 million and $0 million.

Revolving Credit Facility

We are party to the Credit Agreement that was arranged by JPMorgan Chase Bank, N.A., as administrative agent, and provides for a $225.0 million multicurrency Revolver with a five-year maturity. As of June 30, 2023, we had $98.5 million outstanding on the Revolver, net of debt issuance costs.

Borrowings under the Revolver bear interest at a variable rate per annum. We may designate each borrowing as (i) in the case of any borrowing in U.S. dollars, a base rate loan or a Term SOFR rate loan, (ii) in the case of any borrowing denominated in Euros, a EURIBOR rate loan, (iii) in the case of any borrowing denominated in British Pounds Sterling, a Sterling Overnight Index Average (“SONIA”) loan, (iv) in the case of any borrowing denominated in Swiss Francs, a Swiss Average Rate Overnight (“SARON”) loan, and (v) in the case of any borrowing denominated in Australian dollars, an AUD rate loan. Borrowings bear interest equal to (i) in the case of base rate loans, 1.00% plus the greatest of (a) the Prime Rate, (b) the New York Federal Reserve Bank Rate plus 0.50% and (c) the 1 month Term SOFR, plus 1.10%, (ii) in the case of a Term SOFR rate loan, the Term SOFR rate plus 2.10%, (iii) in the case of a EURIBOR rate loan, the EURIBOR rate multiplied by the Statutory Reserve Rate (as defined in the Credit Agreement) plus 2.00%, (iv) in the case of a SONIA loan, the Sterling Overnight Index Average plus 2.03%, (v) in the case of a SARON loan, the Swiss Average Rate Overnight plus 2.00%, and (vi) in the case of an AUD rate loan, the AUD Screen Rate (as defined in the Credit Agreement) multiplied by the Statutory Reserve Rate plus 2.20%, in certain cases subject to applicable interest rate floors. The weighted-average interest rate in effect for the Revolver as of June 30, 2023 was 7.23%.

Borrowings under the Revolver may be repaid at any time during the term of the Credit Agreement and, subject to certain terms and conditions, may be reborrowed prior to the maturity date. Any outstanding principal amounts, together with any accrued interest thereon, shall be due and payable on the maturity date. The maturity date for the Revolver is September 20, 2026.

The Revolver bears a fee on undrawn commitments equal to 0.25% per annum if total utilization of revolving commitments is equal to or greater than 50% and 0.35% per annum if total utilization of revolving commitments is less than 50%.

Under the terms of the Credit Agreement, certain of our assets serve as pledged collateral. In addition, the Credit Agreement contains covenants that, among other things: limit our ability to incur indebtedness; create, incur or allow liens; transfer or dispose of assets; merge with other companies; make certain investments; pay dividends or make distributions; engage in new or different lines of business; and engage in transactions with affiliates. The Credit Agreement also contains financial covenants requiring us to maintain a total net leverage ratio, and a minimum total of fee-earning assets under management. As of June 30, 2023, we were in compliance with the total net leverage ratio and minimum fee-earning assets under management covenants.

We can use available funding capacity under the Revolver to satisfy letters of credit in amounts up to $10.0 million. Amounts used to satisfy the letters of credit reduce the available capacity under the Revolver. As of June 30, 2023, we had outstanding letters of credit totaling $7.8 million.

Future Sources and Uses of Liquidity

In the future, we may issue additional equity or debt with the objective of increasing our available capital. We believe that we will be able to continue to meet our current and long-term liquidity and capital requirements through our cash flows from operating activities, existing cash and cash equivalents, and our ability to obtain future financing.

Dividend and Distribution Policy

On August 3, 2023, we announced a dividend of $0.21 per share of Class A common stock, payable on September 15, 2023 to holders of record at the close of business on August 31, 2023.

The following table presents information regarding cash quarterly dividends on Class A common shares for the periods indicated:

Quarterly Fiscal Period[1]	Dividend Payment Date	Dividend Per Share of Class A Common Stock	
First quarter	June 30, 2022	$	0.20
Second quarter	September 15, 2022		0.20
Third quarter	December 15, 2022		0.20
Fourth quarter	March 15, 2023		0.20
Total dividends paid in FY2023		$	0.80
First quarter	June 30, 2023	$	0.20
Supplemental[2]	June 30, 2023		0.25
Total dividends paid in FY2024		$	0.45

(1) Dividends paid, as reported in this table, relate to the preceding quarterly period in which they were earned.
(2) The supplemental cash dividend relates to earnings in respect of our full fiscal year 2023.

We may pay additional dividends to holders of our Class A common stock in the future. The declaration and payment by us of any future dividends to Class A stockholders is at the sole discretion of our board of directors. Subject to funds being legally available, we will cause the Partnership to make pro rata distributions to its limited partners, including us, in amounts sufficient to make payment of applicable income and other taxes, to make payments under the Tax Receivable Agreements, and to make payment for corporate and other general expenses. Because our board of directors may determine to pay or not pay dividends to our Class A stockholders, our Class A stockholders may not necessarily receive dividend distributions relating to our excess distributions, even if the Partnership makes excess distributions to us.

Tax Receivable Agreements

We have entered into an Exchanges Tax Receivable Agreement with the Class B limited partners and Class C limited partners, and a Reorganization Tax Receivable Agreement with certain pre-IPO institutional investors (collectively, the “Tax Receivable Agreements”). The Tax Receivable Agreements provide for payment by SSG to these partners and pre-IPO institutional investors of the Partnership of 85% of the amount of the net cash tax savings, if any, that SSG realizes (or, under certain circumstances, is deemed to realize) as a result of increases in tax basis (and utilization of certain other tax benefits) resulting from (i) SSG’s acquisition of such partner’s and institutional investor’s Partnership units and (ii) in the case of the Exchanges Tax Receivable Agreement, any payments SSG makes under the Exchanges Tax Receivable Agreement (including tax benefits related to imputed interest). SSG will retain the benefit of the remaining 15% of these net cash tax savings under both Tax Receivable Agreements.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that would expose us to any liability or require us to fund losses or guarantee target returns to clients in our funds that are not reflected in our condensed consolidated financial statements. See notes 4 and 14, respectively, to our condensed consolidated financial statements included elsewhere in this quarterly report for information on variable interest entities and commitments and contingencies.

Critical Accounting Estimates

We prepare our condensed consolidated financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our condensed consolidated financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and judgments, however, are both subjective and subject to change, and actual amounts may differ from our assumptions and estimates. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known.

See note 2 to our condensed consolidated financial statements included elsewhere in this quarterly report, and note 2 to our audited consolidated financial statements in our Form 10-K for the year ended March 31, 2023 for a summary of our significant accounting policies.

Recent Accounting Developments

Information regarding recent accounting developments and their effects to us can be found in note 2 to our condensed consolidated financial statements included elsewhere in this quarterly report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to a broad range of risks inherent in the financial markets in which we participate, including price risk, interest-rate risk, access to and cost of financing risk, liquidity risk, counterparty risk and foreign exchange-rate risk. Potentially negative effects of these risks may be mitigated to a certain extent by those aspects of our investment approach, investment strategies, fundraising practices or other business activities that are designed to benefit, either in relative or absolute terms, from periods of economic weakness, tighter credit markets or financial market dislocations.

Market Risk

Our predominant exposure to market risk is related to our role as general partner or investment manager for our focused commingled funds and SMAs and the sensitivities to movements in the fair value of their investments, which may adversely affect our performance fee revenues and investment income.

Our management fee and advisory fee revenue is only marginally affected by changes in investment values because our management fees are generally based on commitments or net invested capital and our advisory fees are fixed. As of both June 30, 2023, and March 31, 2023, NAV-based management fees represented approximately 7% of total net management and advisory fees. We estimate that a 10% decline in market values of the investments held in our funds as of June 30, 2023 and March 31, 2023, would result in an approximate decrease to annual management fees of $3.7 million and $3.4 million, respectively.

The fair value of the financial assets and liabilities of our focused commingled funds and SMAs may fluctuate in response to changes in the fair value of a fund's underlying investments, foreign currency exchange rates, commodity prices and interest rates. The effect of these risks is as follows:

- Incentive fees from our funds are not materially affected by changes in the fair value of unrealized investments because they are based on realized gains and subject to achievement of performance criteria rather than on the fair value of the fund's assets prior to realization. As of both June 30, 2023 and March 31, 2023, we had $18.1 million of deferred incentive fee revenue recorded in accounts payable, accrued expenses and other liabilities in the condensed consolidated balance sheets.

- We earn carried interest allocation revenue from certain of the StepStone Funds based on cumulative fund performance to date, subject to specified performance criteria. Our carried interest allocation is affected by changes in market factors. However, the degree of impact will vary depending on several factors, including but not limited to (i) the performance criteria for each individual fund in relation to how that fund's results of operations are affected by changes in market factors; (ii) whether such performance criteria are annual or over the life of the fund; (iii) to the extent applicable, the previous performance of each fund in relation to its performance criteria; and (iv) whether each funds' performance related distributions are subject to contingent repayment. As a result, the impact of changes in market factors on carried interest allocation revenue will vary widely from fund to fund. An overall decrease of 10% in the general equity markets would not necessarily drive the same impact on our funds' valuations, as many of our investments in our funds are illiquid and do not trade on any exchange. Additionally, as a large percentage of our carried interest allocation revenues are paid to employees as carried interest-related compensation, the overall net impact to our income would be mitigated by lower compensation payments. As of June 30, 2023, and March 31, 2023, the maximum amount of carried interest allocations (excluding legacy Greenspring carried interest allocations) subject to contingent repayment, net of tax, was an estimated $271.2 million and $264.1 million, respectively, assuming the fair value of all investments was zero, a possibility that we view as remote. The primary driver for the change in the contingent repayment between periods is due to additional carried interest allocation realizations in fiscal 2024 that are potentially subject to clawback.

- Investment income changes in relation to realized and unrealized gains and losses of the underlying investments in our funds in which we have a general partner commitment. Based on investments (excluding legacy Greenspring investments in funds and investments of Consolidated Funds) held as of June 30, 2023 and March 31, 2023, we estimate that a 10% decline in fair value of the investments in funds would result in a decrease in investment income of $12.2 million and $11.5 million, respectively.

Exchange Rate Risk

Our business is affected by movements in the exchange rate between the U.S. dollar and non-U.S. dollar currencies in respect of revenues and expenses of our foreign offices that are denominated in non-U.S. dollar currencies and cash and other balances we hold in non-functional currencies. The amount of revenues and expenses attributable to our foreign offices is not material in relation to our U.S. offices. Therefore, changes in exchange rates are not expected to materially affect our condensed consolidated financial statements.

Certain of our focused commingled funds and SMAs hold investments denominated in non-U.S. dollar currencies that may be affected by movements in the exchange rate between the U.S. dollar and foreign currencies, which could affect investment performance. The currency exposure related to investments in foreign currency assets is limited to our general partner interest, which is typically no more than 1% of total capital commitments. Changes in exchange rates are not expected to materially affect our condensed consolidated financial statements.

Interest Rate Risk

As of both June 30, 2023 and March 31, 2023, we had $100.0 million in borrowings outstanding under our Revolver. The Revolver accrues interest at a variable rate. As of both June 30, 2023 and March 31, 2023, we estimate that interest expense would increase by $1.0 million on an annualized basis as a result of a 100 basis point increase in interest rates. Based on the $92.4 million and $103.5 million of cash, cash equivalents and restricted cash (excluding Consolidated Funds) as of June 30, 2023 and March 31, 2023, we estimate that interest income would increase by $0.9 million and $1.0 million, respectively, on an annualized basis as a result of a 100 basis point increase in interest rates.

Credit Risk

We are party to agreements providing for various financial services and transactions that contain an element of risk in the event that the counterparties are unable to meet the terms of such agreements. In such agreements, we depend on the respective counterparty to make payment or otherwise perform. We generally endeavor to minimize our risk of exposure by limiting the counterparties with which we enter into financial transactions to reputable financial institutions. In other circumstances, availability of financing from financial institutions may be uncertain due to market events, and we may not be able to access these financing markets.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective to provide reasonable assurance that information that we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The information required with respect to this item can be found under the heading “Litigation” in note 14, Commitments and Contingencies, to our condensed consolidated financial statements included elsewhere in this quarterly report, and such information is incorporated by reference into this Item 1.

Item 1A. Risk Factors.

There have been no material changes from the risk factors previously disclosed in Part 1, Item 1A of our annual report on Form 10-K for the fiscal year ended March 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

(c) Trading Arrangements.

During the period covered by this Quarterly Report on Form 10-Q, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit No.	Description of Exhibit	Incorporated By Reference				Filed or Furnished Herewith
		Form	Exhibit	Filing Date	File No.	
3.1	Amended and Restated Certificate of Incorporation of StepStone Group Inc.	8-K	3.1	9/18/2020	001-39510	
3.2	Amended and Restated Bylaws of StepStone Group Inc.	10-Q	3.2	2/09/2023	001-39510	
10.1	Conformed Credit Agreement dated as of September 20, 2021 as amended by Amendment No. 1 to Credit Agreement, dated as of April 19, 2023, by and among StepStone Group LP, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent and certain other lenders party thereto	10-K	10.12	5/26/2023	001-39510	
10.2†	Consulting Services Agreement, effective as of August 1, 2023, by and among StepStone Group Inc., StepStone Group LP, MMAR HNL, LLC and Monte Brem					X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended					X
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101	The following financial information from our quarterly report on Form 10-Q for the quarter ended June 30, 2023 formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets; (ii) the Condensed Consolidated Statements of Income (Loss); (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss); (iv) the Condensed Consolidated Statements of Stockholders' Equity; (v) the Condensed Consolidated Statements of Cash Flows; (vi) Notes to Condensed Consolidated Financial Statements; and (vii) Part II, Item 5(c).					X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 7, 2023**.**

STEPSTONE GROUP INC.

By: /s/ Johnny D. Randel
Johnny D. Randel
Chief Financial Officer
(Principal Financial Officer and Authorized Signatory)

EXHIBIT 10.2

CONSULTING SERVICES AGREEMENT

This Consulting Services Agreement (this "Agreement") is entered into as of August 1, 2023 (the "Effective Date") by and among StepStone Group Inc. (the "Company"), StepStone Group LP (the "Partnership"), MMAR HNL, LLC ("MMAR") and Monte Brem ("Brem" and together with the Company, the Partnership and MMAR the "Parties").

WHEREAS, the Partnership and the Company desire to engage MMAR for the purposes of securing the consulting services of Brem commencing on August 1, 2023 (the "Start Date"), and MMAR agrees to supply and make available to the Partnership and the Company, the services of Brem, in each case on the terms and conditions set forth herein.

NOW, THEREFORE, subject to and in consideration of the mutual promises herein contained, the Parties agree as follows:

1. Consulting Period

(a) Commencing as of the Start Date and continuing until terminated pursuant to this Agreement, the Partnership and the Company agree to engage MMAR to provide the services of Brem as Executive Advisor to the Partnership and the Company and in such capacity to render such services as reasonably requested by the Board of Directors of the Company (the "Board") and/or the Chief Executive Officer of Partnership and the Company (the "Consulting Services"), and MMAR agrees to make Brem available to render such services. Such Consulting Services may include phone or in-person consultations with officers of the Company or senior management of the Partnership regarding business strategy, relationships with significant clients of the Partnership or its affiliates and potential corporate transactions involving the Partnership, Company or their affiliates. MMAR shall ensure that Brem shall comply with all rules, procedures and standards promulgated from time to time by the Company or its affiliates, including the Partnership, with regard to Brem's access to and use of the property, information, equipment and facilities of the Company and its affiliates. Notwithstanding the foregoing, MMAR's engagement with the Partnership and the Company hereunder may be terminated at any time by any of MMAR, the Partnership or the Company upon thirty (30) days prior written notice. The period between the Start Date and the termination of MMAR's engagement hereunder shall be referred to herein as the "Consulting Period".

(b) During the Consulting Period, the relationship of MMAR to the Partnership and the Company will be that of an independent contractor, and neither MMAR nor Brem shall have any authority to bind or represent the Partnership or the Company (unless the Partnership or the Company otherwise takes action to grant such authority with respect to certain arrangements), and neither the Partnership nor the Company shall have any right to direct or control the manner in which MMAR performs the Consulting Services hereunder. Nothing in this Agreement shall be construed to create, during the Consulting Period, any association, partnership, joint venture, employment, or agency relationship between MMAR, on the one hand, and the Partnership or the Company, on the other, for any purpose or Brem and the Partnership or the Company, other than as a non-employee member of the Board and Chairperson of the Board.

(c) During the Consulting Period, Brem will not be eligible to participate in any vacation, group medical or life insurance, disability, profit sharing or retirement benefits, or any other fringe benefits or benefit plans offered by the Company or the Partnership to its employees, other than in his capacity as a non-employee member of the Board, and neither the Partnership nor the Company will be responsible for withholding or paying any income, payroll, Social Security or other federal, state or local taxes, making any insurance contributions, including unemployment or disability, or obtaining worker's compensation insurance on Brem's behalf.

2. Consulting Fee.

(a) Effective as of the Start Date, MMAR shall be eligible to receive cash consulting fees from the Partnership at the rate of $250,000 per annum in exchange for providing the Consulting Services (the "Consulting Fee"). The Consulting Fee shall be payable in equal monthly installments during the Consulting Period.

(b) During the Consulting Period, the Company will reimburse MMAR for reasonable costs incurred in connection with the performance of the Consulting Serices consistent with the Company's Expense Reimbursement Policy, which may be amended from time to time. To receive reimbursement, MMAR must submit appropriate supporting documentation (e.g., receipts, proof of payment, etc.). Reimbursement will be provided within thirty (30) calendar days of MMAR's submission of appropriate documentation.

3. Confidential Information.

(a) Definition. "Confidential Information" means any of the Company's (including its parents, affiliates or subsidiaries (collectively, "Affiliates")) proprietary information, technical data, trade secrets or know-how, including but not limited to all actual or potential customer, employee, supplier, and distributor lists, contacts and addresses, information about employees and employee relations, training manuals and procedures, information about recruitment methods and procedures, employment contracts, information about marketing, business plans and projections, pricing information, information about costs and expenses, budgets, proposals, financial information, product plans, products, services, research, developments, systems, formulas, technology, inventions, databases, know-how, developments, experiments, improvements, prototypes, computer programs, software, processes, designs, tapes, and compilations of information that are owned by the Company, its Affiliates, other parties with which the Company or its Affiliates do business ("Third Parties") or customers of Company or its Affiliates ("Customers"), and that are used in the operation of the business of Company or its Affiliates, Third Parties and/or Customers. Confidential Information includes, but is not limited to, information disclosed to or developed by either MMAR or Brem in connection with the Consulting Services. Confidential Information shall not include information that: (i) is now or subsequently becomes generally available to the public through no wrongful act or omission of MMAR or Brem; (ii) MMAR or Brem can demonstrate to have had rightfully in their possession prior to disclosure by the Company; (iii) is independently developed by MMAR or Brem without the use, directly or indirectly, of any Confidential Information; or (iv) MMAR or Brem rightfully obtains from a third party who has the right to transfer or disclose it.

(b) Non-Use and Non-Disclosure. Except to the extent necessary to perform the Consulting Services, neither MMAR nor Brem shall reproduce, use, distribute, disclose or otherwise disseminate Confidential Information. Neither MMAR nor Brem shall cause, through action or inaction, any Confidential Information to become non-confidential. Neither MMAR nor Brem shall remove Confidential Information from the Company or Company-designated locations or devices, except as expressly permitted by the Company in writing. In the event MMAR or Brem are required to disclose any Confidential Information pursuant to judicial order or other legal mandate, MMAR and/or Brem shall promptly notify the Company to enable the Company to seek a protective order or similar remedy to prevent such disclosure. If the Company is unable to obtain a protective order or similar remedy, MMAR and Brem agree to only disclose that portion of the Confidential Information that is required to be disclosed and to maintain the confidentiality of any other Confidential Information.

(c) Third Party Confidential Information. MMAR and Brem shall not improperly use or disclose any proprietary information, confidential information, or trade secrets of any former or current employer or other person or entity with which MMAR or Brem has an agreement or duty to keep in such information or secrets confidential.

(d) Notwithstanding anything herein to the contrary, nothing in this Agreement shall (i) prohibit MMAR or Brem from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of state or federal law or regulation, or (ii) require notification or prior approval by the Company of any reporting described in this clause 3(d).

4. Return of Company Property and Information. At the Company's request, MMAR and Brem shall deliver to the Company the originals and all copies of such documents and materials and any other property of any nature belonging to the Company or relating to the Company's business in MMAR or Brem's possession or control, including all forms of Confidential Information and other Company Property. In the event of termination of this Agreement, MMAR and Brem shall return all such property and Confidential Information (original, hard and electronic copies), including permanently deleting any Confidential Information stored in MMAR and Brem's personal computers or any mobile, cloud, or other storage medium.

5. Compliance with the Company's Code of Ethics: Brem acknowledges that in the performance of the Consulting Services he may become aware of information that is either sensitive or confidential in nature. As such, Brem agrees to abide by the Partnership's Code of Ethics, contained in the Partnership's Global Compliance Manual and the Company's Code of Conduct and Ethics (collectively, "Code of Ethics"). By signing this Agreement, Brem acknowledges that he has received, read and understands the Code of Ethics and that he will comply with its requirements, with the sole exception being that Brem is not required to: (a) report ore pre-clear personal trading transactions on ComplySci (but, for the avoidance of doubt, must pre-clear trades relating to the equity of the Company with the Chief Legal Officer and Chief Compliance Officer); or (b) complete quarterly or annual compliance reports on ComplySci. Brem acknowledges and agrees that he may not transact in any security or recommend a transaction to others if Brem thinks he might have access to material non-public information regarding such transaction. If Brem thinks he might have access to material non-public information regarding a proposed transaction, he agrees and is obligated to: (1) report the information and potential transaction to the Chief Compliance Officer; (2) refrain from purchasing or selling securities until expressly authorized by the Chief Compliance Officer; and (3) avoid communicating the information inside or outside of the Company, other than to the Chief Compliance Officer.

6. Defend Trade Secrets Act. Pursuant to the Defend Trade Secrets Act of 2016, neither MMAR nor Brem shall be held criminally, or civilly, liable under any Federal or State trade secret law for the disclosure of a trade secret that is made in confidence either directly or indirectly to a Federal, State, or local government official, or an attorney, for the sole purpose of reporting, or investigating, a violation of law. MMAR or Brem may disclose trade secrets in a complaint, or other document, filed in a lawsuit, or other proceeding, *if* such filing is made under seal. If MMAR or Brem files a lawsuit alleging retaliation by the Company for reporting a suspected violation of the law, MMAR or Brem may disclose the trade secret to their attorney and use the trade secret in the court proceeding, *if* MMAR or Brem files any document containing the trade secret under seal and does not disclose the trade secret, except pursuant to court order.

7. Miscellaneous.

(a) Assignment. None of the Partnership, Company, MMAR or Brem may make any assignment of this Agreement or any interest herein, by operation of law or otherwise, without the prior written consent of the other; *provided, however*, that the Partnership and the Company may assign its respective rights and obligations under this Agreement without the consent of MMAR or Brem in the event that the Partnership or the Company shall hereafter effect a reorganization, consolidate with, or merge into, any person or transfer all or substantially all of its properties or assets to any person. This Agreement shall inure to the benefit of and be binding upon the Partnership, the Company, MMAR and Brem, their respective successors, executors, administrators, heirs and permitted assigns.

(b) Severability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

(c) Amendment. This Agreement may be amended or modified only by a written instrument signed by MMAR and Brem and by an expressly authorized representative of the Company.

(d) Headings. The headings and captions in this Agreement are for convenience only, and in no way define or describe the scope or content of any provision of this Agreement.

(e) Governing Law. This Agreement shall be construed and enforced under and be governed in all respects by the laws of the State of New York, without regard to the conflict of laws principles thereof.

(f) Compliance with Section 409A.

(i) This Agreement shall be interpreted to ensure that the payments contemplated hereby to be made by the Partnership to MMAR and/or Brem are exempt from, or comply with, Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”).

(ii) Any payment by the Partnership to MMAR or Brem under this Agreement that is subject to Section 409A and that is contingent on a termination of employment is contingent on a “separation from service” within the meaning of Section 409A. Each such payment shall be considered to be a separate payment for purposes of Section 409A.

(iii) Each payment that is a part of a series of installment payments shall be treated as separate payments.

(iv) If, upon separation from service, Brem is a “specified employee” within the meaning of Section 409A, any payment under this Agreement that is subject to Section 409A and not exempt from Section 409A as a short-term deferral or otherwise and would otherwise be paid within six (6) months after Brem’s separation from service will instead be paid in the seventh month following Brem’s separation from service (to the extent required by Section 409A(a)(2)(B)(i)), or, if sooner, upon Brem’s death.

(v) Any taxable reimbursement due under the terms of this Agreement shall be paid no later than December 31 of the year after the year in which the expense is incurred and shall comply with Treas. Reg. § 1.409A-3(i)(1)(iv).

(vi) For the avoidance of doubt, neither MMAR nor Brem shall not be entitled to receive from the Partnership or the Company a gross-up, an indemnity, a reimbursement or any other form of payment for any taxes incurred by Brem under Section 409A.

(g) Entire Agreement; Amendments and Waivers. This Agreement constitutes the entire agreement among the Parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties with respect to such subject matter.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument.

[Signatures are on the following page]

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be duly executed and effective as of the Effective Date.

/s/ Monte M. Brem
Monte M. Brem

MMAR:

MMAR HNL, LLC

By: /s/ Monte M. Brem
Name: Monte M. Brem
Title: Manager

COMPANY:

STEPSTONE GROUP INC.

By: /s/ Scott Hart
Name: Scott Hart
Title: Chief Executive Officer

PARTNERSHIP:

STEPSTONE GROUP LP

By: StepStone Group Holdings LLC, its general partner

By: /s/ Scott Hart
Name: Scott Hart
Title: Partner, Chief Executive Officer

EXHIBIT 31.1

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Scott W. Hart, certify that:

1. I have reviewed this quarterly report on Form 10-Q of StepStone Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2023

By: /s/ Scott W. Hart
Scott W. Hart
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION BY THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Johnny D. Randel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of StepStone Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2023

By: /s/ Johnny D. Randel
Johnny D. Randel
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of StepStone Group Inc. (the "Company") on Form 10-Q for the three months ended June 30, 2023, as filed with the Securities and Exchange Commission (the "SEC") on or about the date hereof (the "Report"), I, Scott W. Hart, Chief Executive Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2023

By: /s/ Scott W. Hart
Scott W. Hart
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff on request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of StepStone Group Inc. (the “Company”) on Form 10-Q for the three months ended June 30, 2023, as filed with the Securities and Exchange Commission (the “SEC”) on or about the date hereof (the “Report”), I, Johnny D. Randel, Chief Financial Officer of the Company certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2023

By: /s/ Johnny D. Randel
Johnny D. Randel
Chief Financial Officer
(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff on request.