



# LP survey: perspectives on Natural Capital

APRIL 2025 | GAI NYC

CONFIDENTIAL

## NOTES

This document is for informational purposes and is meant only to provide a broad overview for discussion purposes. This document does not constitute an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide advisory or other services by StepStone Group LP, StepStone Group Real Assets LP, StepStone Group Real Estate LP, StepStone Group Private Wealth LLC, StepStone Group Private Debt AG, StepStone Group Europe Alternative Investments Limited and StepStone Group Private Debt LLC, their subsidiaries or affiliates (collectively, "StepStone") in any jurisdiction in which such offer, solicitation, purchase or sale would be unlawful under the securities laws of such jurisdiction. The presentation is being made based on the understanding that each recipient has sufficient knowledge and experience to evaluate the merits and risks of investing in private market products. Information contained in this document should not be construed as financial or investment advice on any subject matter. StepStone expressly disclaims all liability in respect to actions taken based on any or all of the information in this document. This document is confidential and solely for the use of StepStone and the existing and potential investors or clients of StepStone to whom it has been delivered, where permitted. By accepting delivery of this presentation, each recipient undertakes not to reproduce or distribute this presentation in whole or in part, nor to disclose any of its contents (except to its professional advisors), without the prior written consent of StepStone.

Expressions of opinion are intended solely as general market commentary and do not constitute investment advice or a guarantee of returns. All expressions of opinion are as of the date of this document, are subject to change without notice and may differ from views held by other businesses of StepStone.

Some information used in the presentation has been obtained from third parties through various published and unpublished sources considered to be reliable. StepStone does not guarantee its accuracy or completeness and accepts no liability for any direct or consequential losses arising from its use. Thus, all such information is subject to independent verification by prospective investors.

All information provided herein is subject to change.

All valuations are based on current values calculated in accordance with StepStone's Valuation Policies and may include both realized and unrealized investments. Due to the inherent uncertainty of valuation, the stated value may differ materially from the value that would have been used had a ready market existed for the portfolio investments or a different methodology had been used. The long-term value of these investments may be lesser or greater than the valuations provided.

StepStone Group LP, its affiliates and employees are not in the business of providing tax, legal or accounting advice. Any tax-related statements contained in these materials are provided for illustration purposes only and cannot be relied upon for the purpose of avoiding tax penalties. Any taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.

**PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS. ACTUAL PERFORMANCE MAY VARY.**

Prospective investors should inform themselves and take appropriate advice as to any applicable legal requirements and any applicable taxation and exchange control regulations in the countries of their citizenship, residence or domicile which might be relevant to the subscription, purchase, holding, exchange, redemption or disposal of any investments. Each prospective investor is urged to discuss any prospective investment with its legal, tax and regulatory advisors in order to make an independent determination of the suitability and consequences of such an investment.

An investment involves a number of risks and there are conflicts of interest. Please refer to the risks and conflicts disclosed herein or in relevant disclosure documents associated with potential investments.

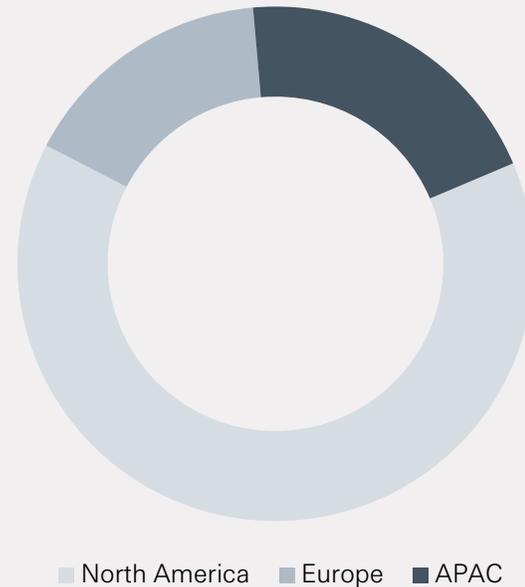
Each of StepStone Group LP, StepStone Group Real Assets LP, StepStone Group Real Estate LP, StepStone Group Private Wealth LLC and StepStone Group Private Debt LLC is an investment adviser registered with the Securities and Exchange Commission ("SEC"). StepStone Group Europe LLP is authorized and regulated by the Financial Conduct Authority, firm reference number 551580. StepStone Group Europe Alternative Investments Limited ("SGEAIL") is an investment adviser registered with the SEC and an Alternative Investment Fund Manager authorized by the Central Bank of Ireland and StepStone Group Private Debt AG ("SPD") is an SEC Exempt Reporting Adviser and is licensed in Switzerland as an Asset Manager for Collective Investment Schemes by the Swiss Financial Markets Authority FINMA. Such registrations do not imply a certain level of skill or training and no inference to the contrary should be made.

In relation to Switzerland only, this document may qualify as "advertising" in terms of Art. 68 of the Swiss Financial Services Act (FinSA). To the extent that financial instruments mentioned herein are offered to investors by SPD, the prospectus/offering document and key information document (if applicable) of such financial instrument(s) can be obtained free of charge from SPD or from the GP or investment manager of the relevant collective investment scheme(s). Further information about SPD is available in the SPD Information Booklet which is available from SPD free of charge.

All data is as of January 2025.

# StepStone LP survey

Based on the participation of 25 investors from across the globe known to be active in the agriculture and forestry sectors providing broad investor perspectives



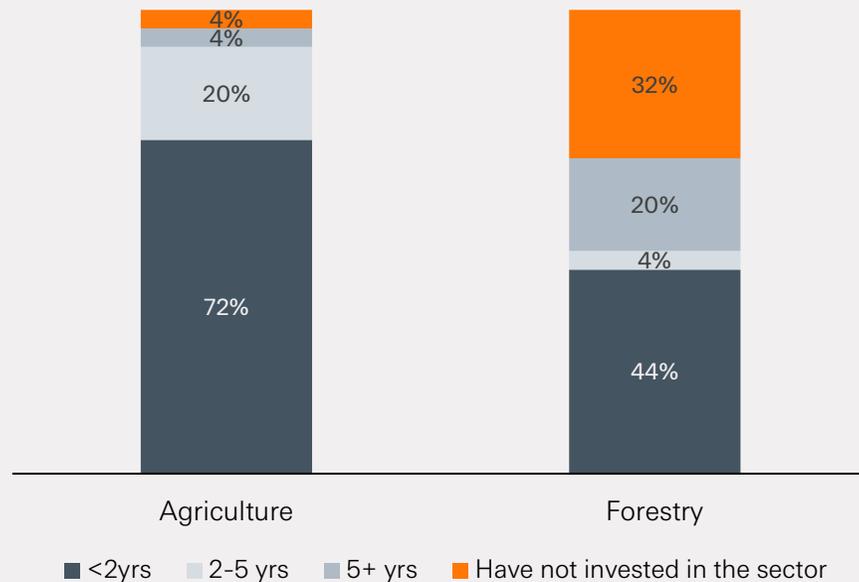
Source: StepStone LP Survey, March 2025

Notes: Metrics presented herein calculated based on the responses to the StepStone Group LP survey between November 2024 - March 2025, as applicable. They do not represent the opinion and/or recommendations of StepStone Group or any of its affiliates.

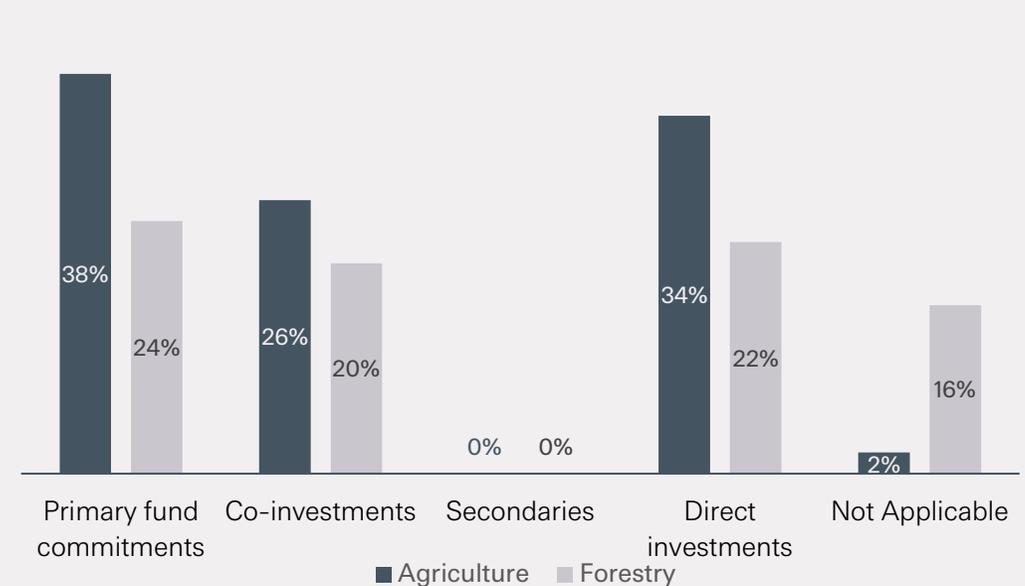
# Investor activity in natural capital related sectors

Agriculture and forestry are sectors which offer investors the ability to invest in natural capital assets. While investment activity has been diversified across primaries, co-investments and directs, while the respondents had not yet completed any secondary investments

When did you last invest in these sectors?



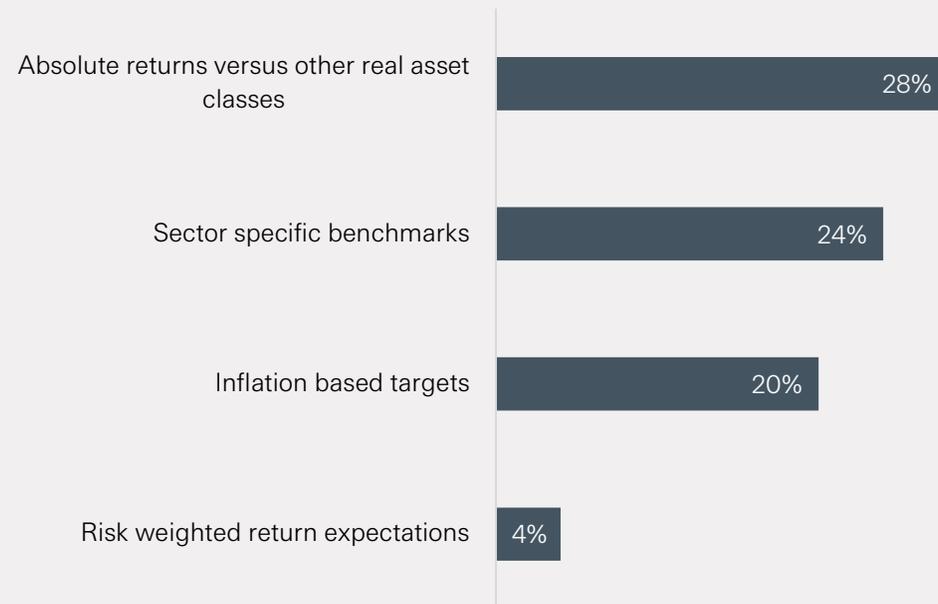
What types of investments have you undertaken?



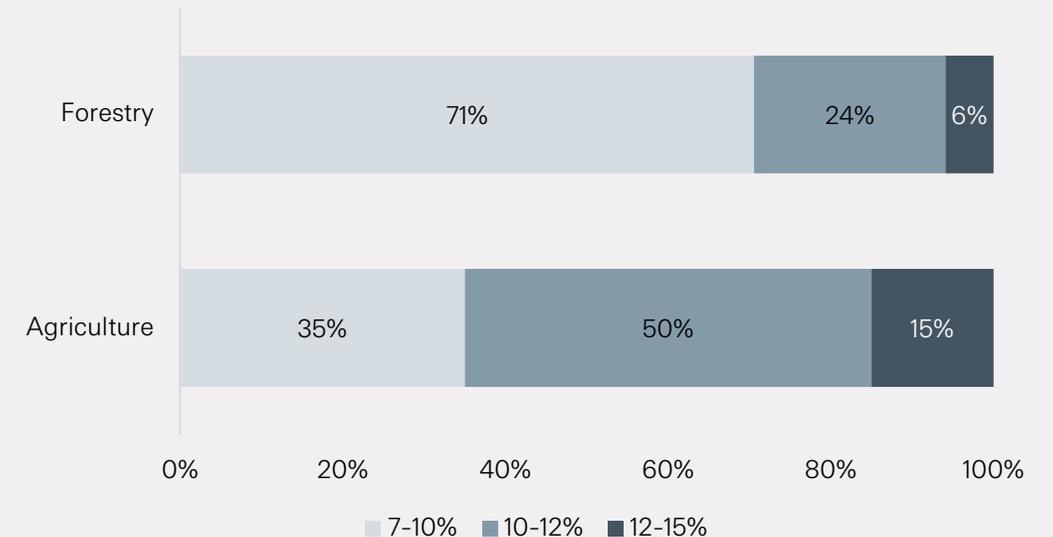
# How are investors thinking about returns for natural capital sectors?

Agriculture and forestry investment performance is being assessed relative to a range of benchmarks, while investors are more clearly focused on low to mid risk/return strategies

## How do you assess performance of your investments in the agriculture and forestry sectors?



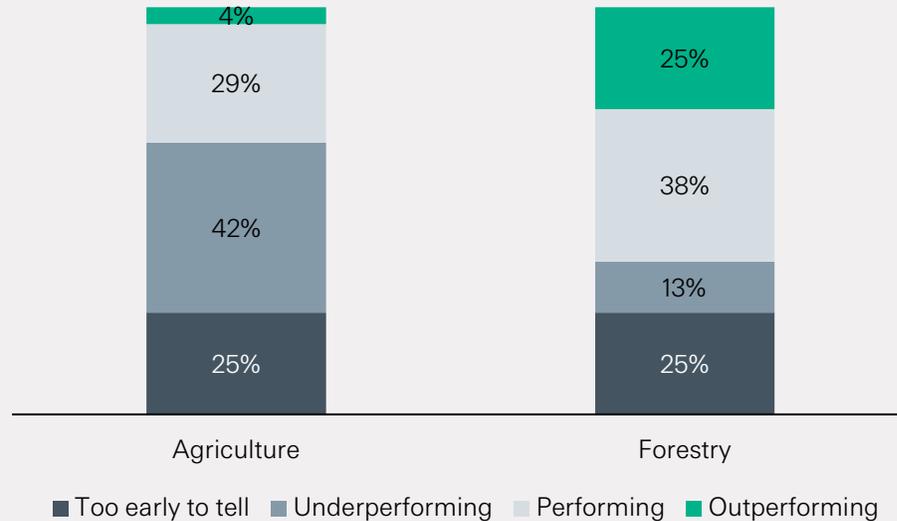
## What is your target net return (IRR) range for investments in these sectors?



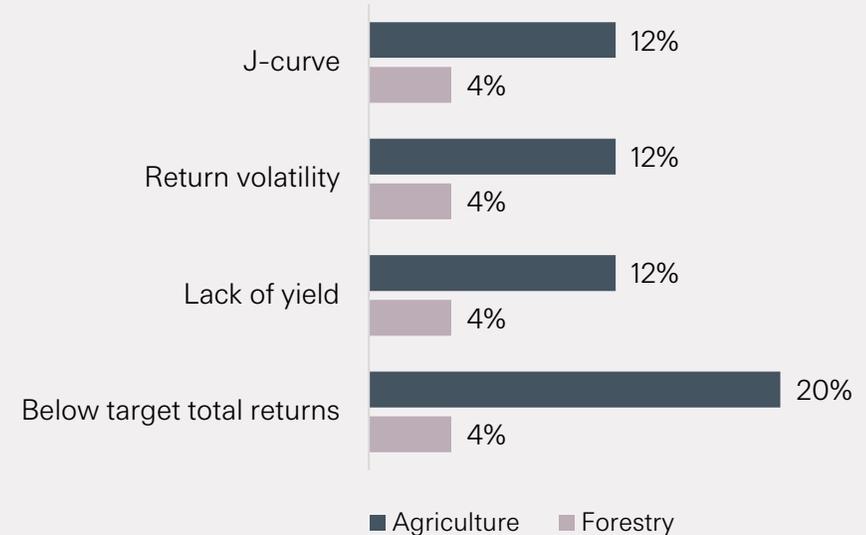
# Investor experiences in natural capital sectors

While natural capital appears to have captured the interest of investors, performance to date is mixed for agriculture while forestry has performed better. Under-performance is attributable to a broad of range of factors, with below target total returns being the most common.

How do you perceive performance of these sectors?

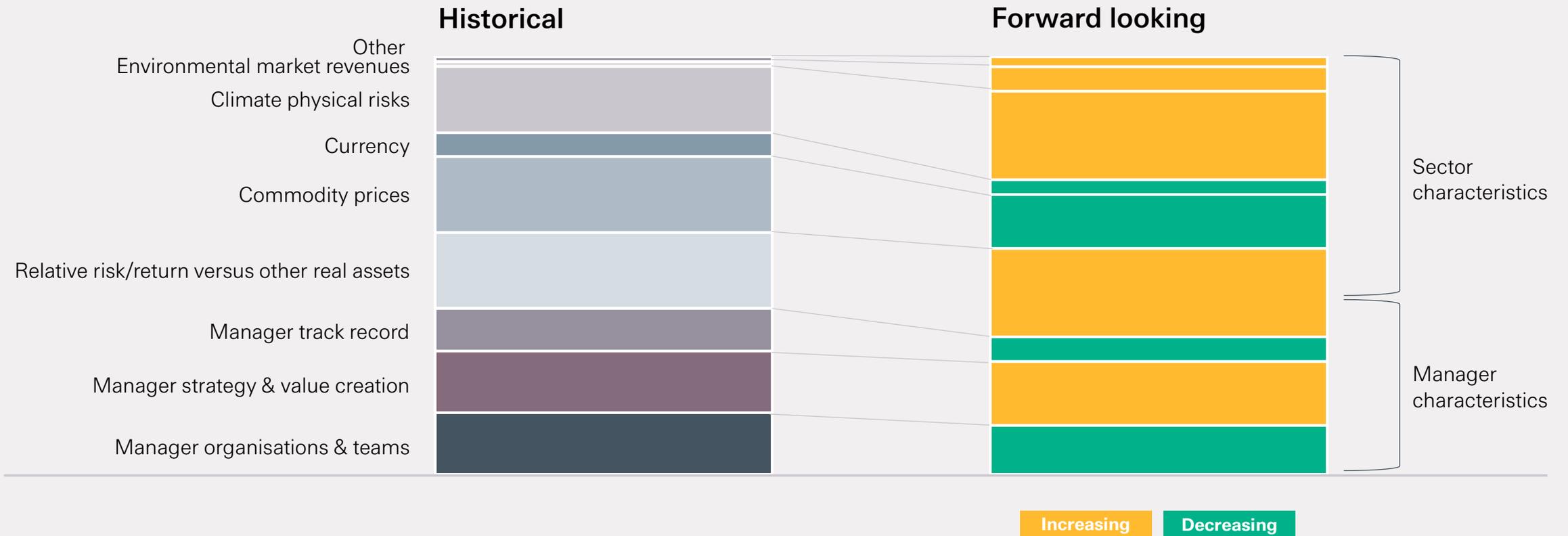


To the extent you have any under-performing investments, what have been the key causes?



# What are the challenges underwriting agriculture and forestry?

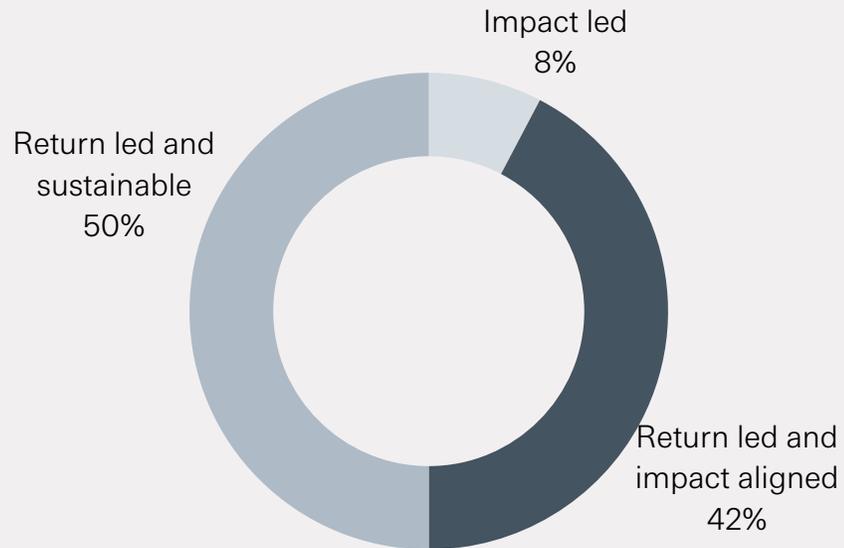
Investors appear to be increasingly comfortable with manager characteristics and maturity; however, broader sector characteristics, in particular relative risk/return and climate, remain challenging...



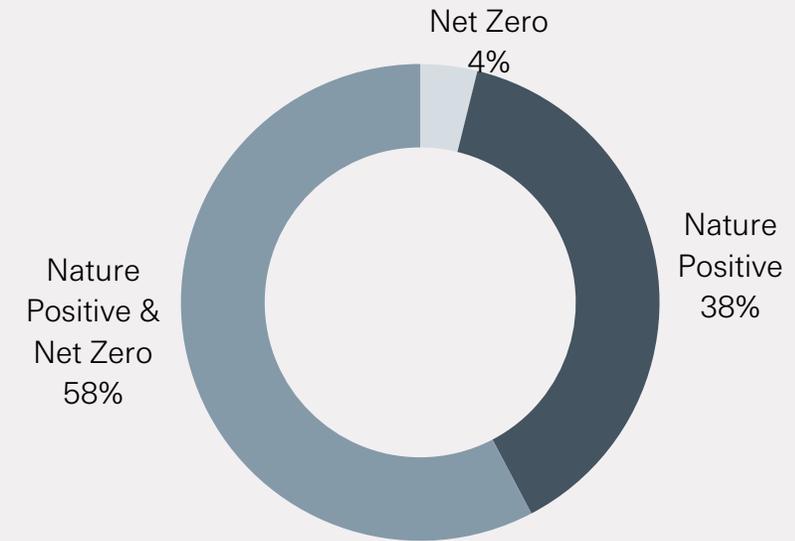
# How are investors thinking about natural capital

Financial returns are the primary focus of investors in natural capital, but alignment with “nature” objectives is integral and there are mixed views on philosophy and objectives

**Natural Capital is a relatively new term in private markets. What description do you consider best describes the investment philosophy behind Natural Capital?**



**What do you consider to be the primary environmental objective for Natural Capital?**



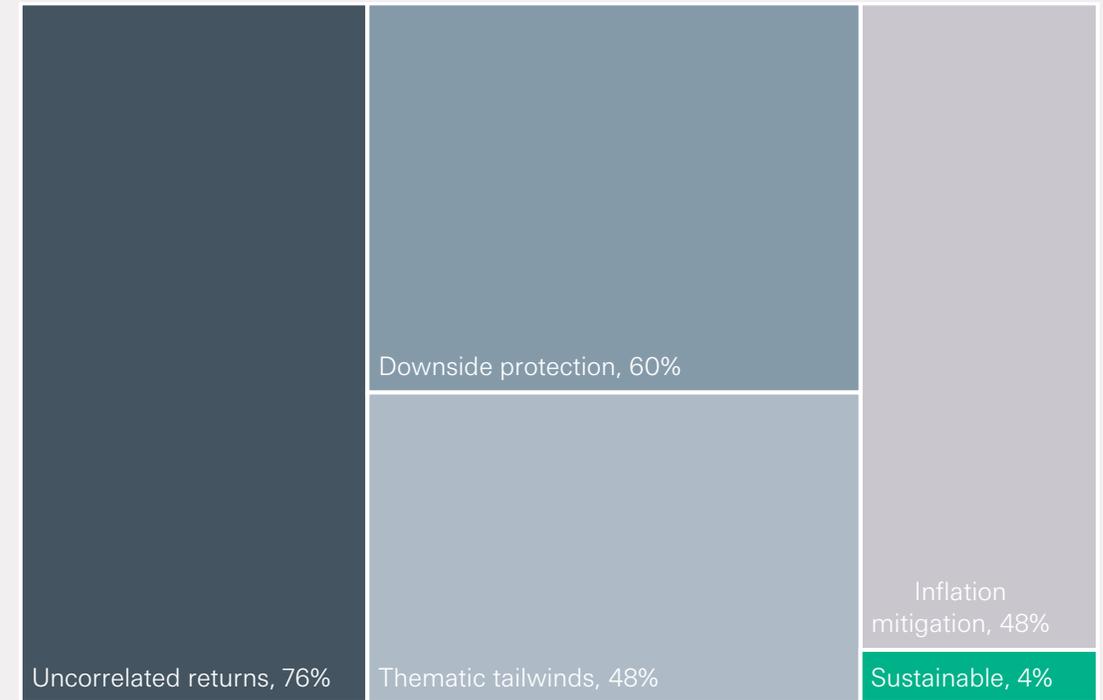
# What is of most interest to investors

Consistent with the focus on return led strategies, traditional investment characteristics are most valued by investors, with views on impact vs. sustainability somewhat contradictory

## What investment objectives do you consider most attractive for Natural Capital?



## What investment characteristics do you consider most attractive for Natural Capital?

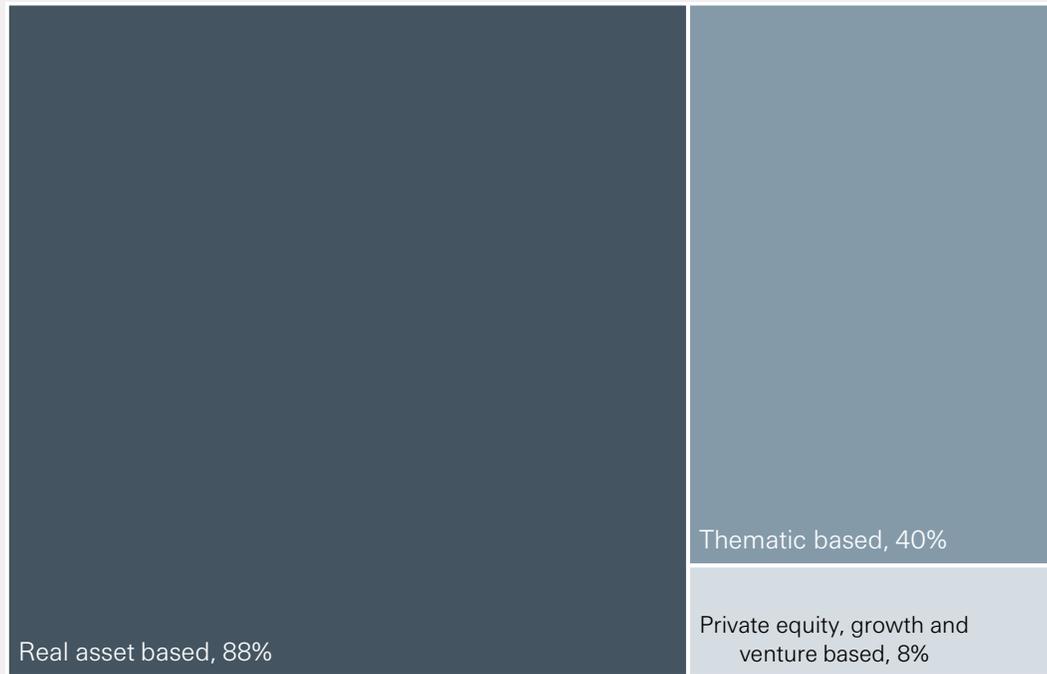


Source: StepStone, March 2025  
The opinions expressed herein reflect the current opinions of Stepstone as of the date appearing in this material only. There can be no assurance that views and opinions expressed in this document will come to pass.

# How are investors thinking about opportunities within natural capital

Investors are mostly viewing natural capital through a real assets 'lens', albeit a large number of respondents also consider it thematic. These responses align with themes of most interest.

## How do you view Natural Capital as an investment strategy?



## What do you consider to be the most attractive investment themes in Natural Capital?



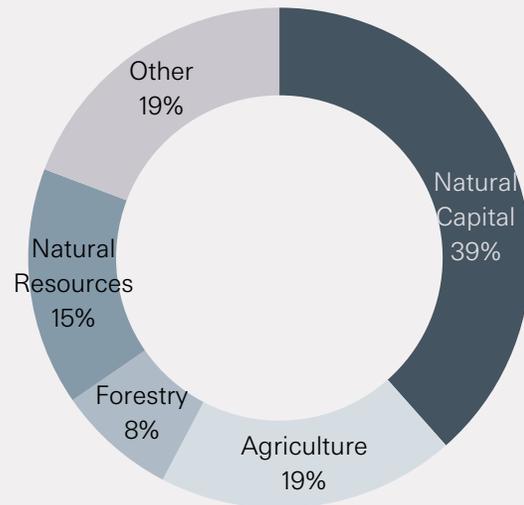
Source: StepStone, March 2025

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

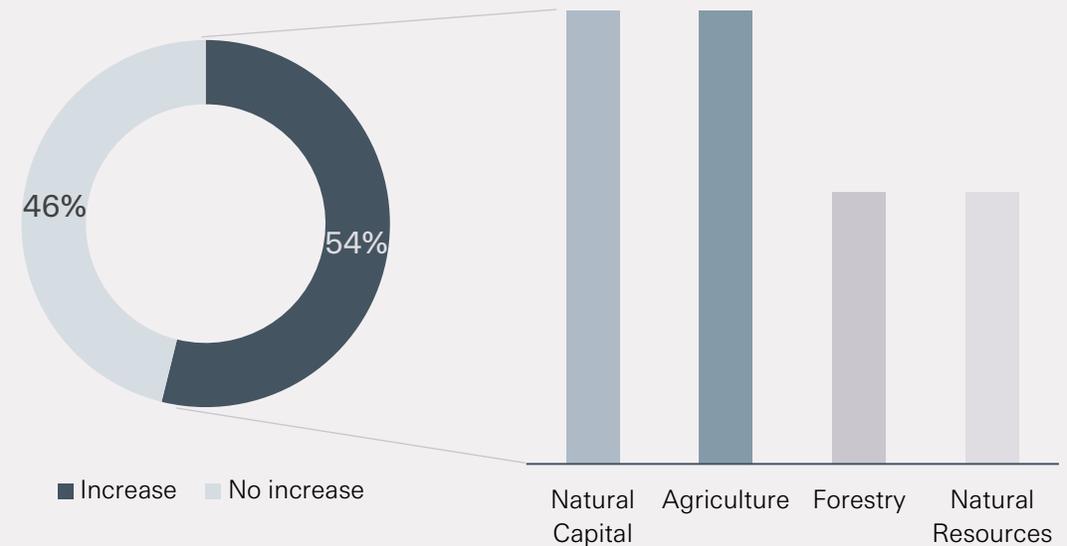
# How is natural capital changing investor allocations?

Natural capital is quickly becoming the largest source of investor allocations for the agriculture and forestry sectors

Are you investing from a "Natural Capital" or a traditional allocation?



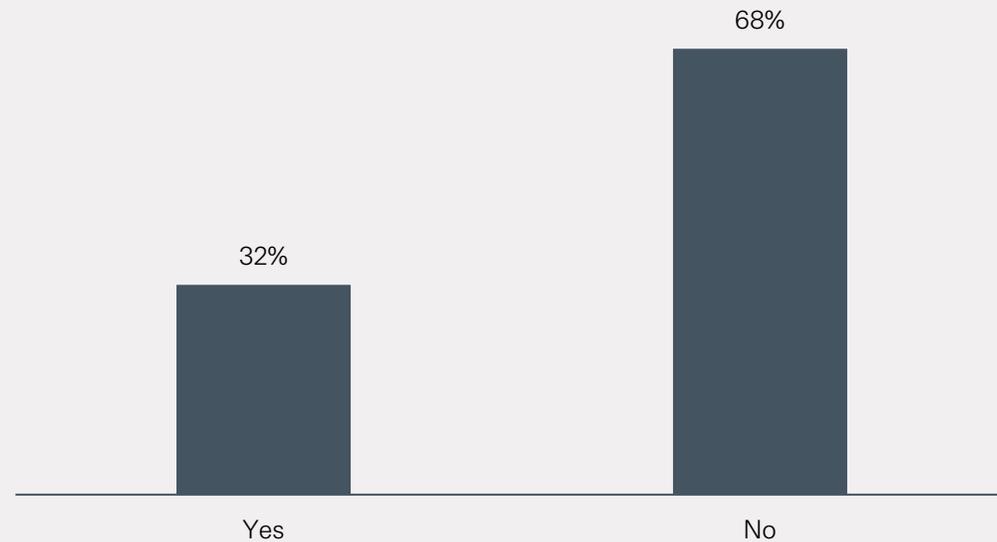
Have you recently increased your portfolio allocation or are you considering additional portfolio allocation to these sectors?



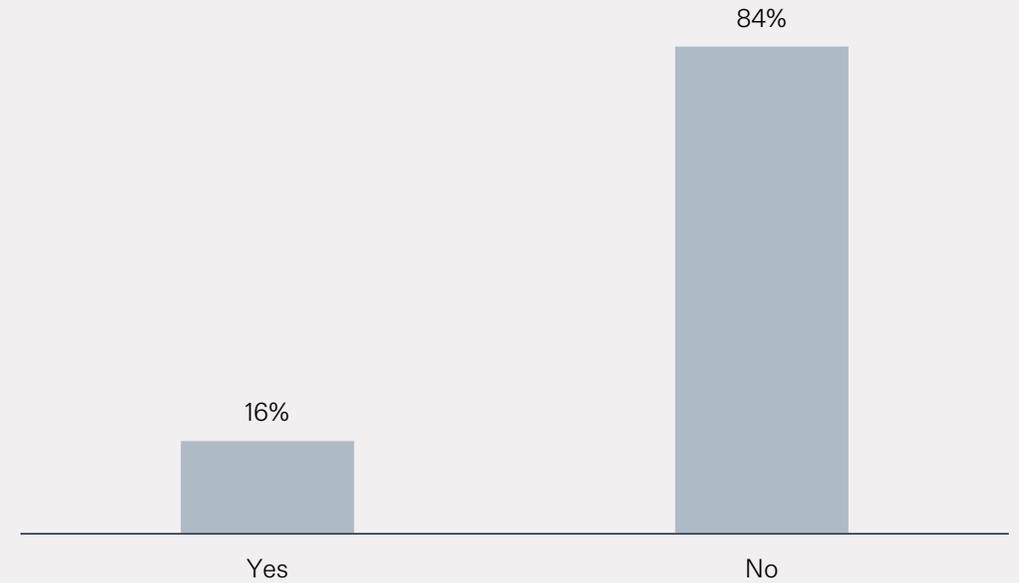
# The opportunity is changing investors approach

Investors are increasingly willing to invest in agriculture and forestry, but developing / emerging markets remain a lower priority

**Has the potential for impact and/or environmental credit revenues changed your views of, or preparedness to invest in, the agriculture and forestry sectors?**



**Has the potential for impact and/or environmental credit revenues changed your views of, or preparedness to invest in, developing / emerging markets?**



# StepStone key takeaways

1

## Natural Capital is attracting the attention of investors

There are more investors with Natural Capital allocations than other any other type investing in the agriculture and forestry sectors

Investors increasing allocations are most focused on Natural Capital and Agriculture allocations

Investor activity is weighted towards agriculture over forestry, albeit both are considered core components of Natural Capital

2

## Natural Capital still needs to deliver financial outcomes

While the potential for environmental impact is appealing to investors, financial returns are paramount

Natural Capital financial performance is still immature, especially for agriculture, and performance will need to improve to deliver on its potential

3

## Depth of the Natural Capital market is still evolving

Investors have been most active in primary funds, followed by direct investments, strategies at opposite end of the spectrum in terms of resourcing, know-how and complexity

Investors are interested and active in co-investment opportunities

Secondary transaction activity is limited, but not zero, and deal flow appears to be increasing

4

## Sustainability vs. impact

Investors appear to be united over the importance of environmental outcomes to Natural Capital strategies

There remains a high level of confusion whether Natural Capital investment strategies are based on sustainable or impact-aligned investing

5

## Environmental market influence

Opportunities for environmental market revenues are positively changing investor attitudes for Natural Capital in developed markets

Interest in developing markets as a result of environmental market opportunities has not yet shared in this interest to the same extent

## RISKS AND OTHER CONSIDERATIONS

**Risks Associated with Investments.** Identifying attractive investment opportunities and the right underlying fund managers is difficult and involves a high degree of uncertainty. There is no assurance that the investments will be profitable and there is a substantial risk that losses and expenses will exceed income and gains.

**Restrictions on Transfer and Withdrawal; Illiquidity of Interests; Interests Not Registered.** The investment is highly illiquid and subject to transfer restrictions and should only be acquired by an investor able to commit its funds for a significant period of time and to bear the risk inherent in such investment, with no certainty of return. Interests in the investment have not been and will not be registered under the laws of any jurisdiction. Investment has not been recommended by any securities commission or regulatory authority. Furthermore, the aforementioned authorities have not confirmed the accuracy or determined the adequacy of this document.

**Limited Diversification of Investments.** The investment opportunity does not have fixed guidelines for diversification and may make a limited number of investments.

**Reliance on Third Parties.** StepStone will require, and rely upon, the services of a variety of third parties, including but not limited to attorneys, accountants, brokers, custodians, consultants and other agents and failure by any of these third parties to perform their duties could have a material adverse effect on the investment.

**Reliance on Managers.** The investment will be highly dependent on the capabilities of the managers.

**Risk Associated with Portfolio Companies.** The environment in which the investors directly or indirectly invests will sometimes involve a high degree of business and financial risk. StepStone generally will not seek control over the management of the portfolio companies in which investments are made, and the success of each investment generally will depend on the ability and success of the management of the portfolio company.

**Uncertainty Due to Public Health Crisis.** A public health crisis, such as the recent outbreak of the COVID-19 global pandemic, can have unpredictable and adverse impacts on global, national and local economies, which can, in turn, negatively impact StepStone and its investment performance. Disruptions to commercial activity (such as the imposition of quarantines or travel restrictions) or, more generally, a failure to contain or effectively manage a public health crisis, have the ability to adversely impact the businesses of StepStone's investments. In addition, such disruptions can negatively impact the ability of StepStone's personnel to effectively identify, monitor, operate and dispose of investments. Finally, the outbreak of COVID-19 has contributed to, and could continue to contribute to, extreme volatility in financial markets. Such volatility could adversely affect StepStone's ability to raise funds, find financing or identify potential purchasers of its investments, all of which could have material and adverse impact on StepStone's performance. The impact of a public health crisis such as COVID-19 (or any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict and presents material uncertainty and risk with respect to StepStone's performance.

**Taxation.** An investment involves numerous tax risks. Please consult with your independent tax advisor.

**Conflicts of Interest.** Conflicts of interest may arise between StepStone and investors. Certain potential conflicts of interest are described below; however, they are by no means exhaustive. There can be no assurance that any particular conflict of interest will be resolved in favor of an investor.

**Allocation of Investment Opportunities.** StepStone currently makes investments, and in the future will make investments, for separate accounts having overlapping investment objectives. In making investments for separate accounts, these accounts may be in competition for investment opportunities.

**Existing Relationships.** StepStone and its principals have long-term relationships with many private equity managers. StepStone clients may seek to invest in the pooled investment vehicles and/or the portfolio companies managed by those managers.

**Carried Interest.** In those instances where StepStone and/or the underlying portfolio fund managers receive carried interest over and above their basic management fees, receipt of carried interest could create an incentive for StepStone and the portfolio fund managers to make investments that are riskier or more speculative than would otherwise be the case. StepStone does not receive any carried interest with respect to advice provided to, or investments made on behalf, of its advisory clients.

**Other Activities.** Employees of StepStone are not required to devote all of their time to the investment and may spend a substantial portion of their time on matters other than the investment.

**Material, Non-Public Information.** From time to time, StepStone may come into possession of material, non-public information that would limit their ability to buy and sell investments.

**ESG Integration.** While StepStone seeks to integrate certain ESG factors into its investment process and firm operations, there is no guarantee that StepStone's ESG strategy will be successfully implemented or that any investments or operations will have a positive ESG impact. Applying ESG factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by StepStone to formulate decisions regarding ESG, or StepStone's judgment regarding the same, will be reflected in the beliefs or values of any particular client or investor. There are significant differences in interpretation of what constitutes positive ESG impact and those interpretations are rapidly changing. The description of ESG integration herein is provided to illustrate StepStone's intended approach to investing and firm operations; however, there is no guarantee that the processes will be followed in every circumstance or at all.

**Performance Information.** No investment decisions may be made in reliance on this document. In considering performance information herein, readers should bear in mind that past performance is not necessarily indicative of future results and that actual results may vary. There can be no assurance that any StepStone fund will be able to successfully implement its investment strategy or avoid losses. Performance shown herein may include investments across different StepStone funds. The aggregate returns are not indicative of the returns an individual investor would receive from these investments. No individual investor received such aggregate returns as the investments were made across multiple funds and accounts over multiple years.



[stepstonegroup.com](https://stepstonegroup.com)