



Los Angeles • New York

FCERA Private Credit Management Proposal

May 5, 2021

Cliffwater Presenters



Stephen Nesbitt – CEO

Steve is CEO of Cliffwater LLC, an investment advisory firm with \$80 billion AUA specializing in alternative investments, including private equity, private debt, hedge funds, real assets, and real estate. Prior to forming Cliffwater in 2004, Steve was a Senior Managing Director at Wilshire Associates where he led its consulting division for 15 years. Steve is recognized for a broad range of investment research. His papers have appeared in the [Financial Analysts Journal](#), [The Journal of Portfolio Management](#), [The Journal of Applied Corporate Finance](#), and [The Journal of Alternative Investments](#). His private debt research has led to the creation of the *Cliffwater Direct Lending Index*, measuring historical performance for direct middle market loans. Steve authored the book, [Private Debt: Opportunities in Corporate Direct Lending](#), Wiley Finance (2019).



Jeffrey Topor – Managing Director

Jeff is a Managing Director of Cliffwater LLC and is head of private debt manager research. In that capacity Jeff and his team conduct investment due diligence, market research, and ongoing monitoring of investments. Jeff is also responsible for building and maintaining Cliffwater's propriety private debt manager database. Prior to joining Cliffwater in 2013, Jeff was part of a team of consultants at Endowment Solutions where he identified and implemented Business Intelligence reporting tools for large enterprises.

He earned a BS in Business Administration from the University of Southern California with majors in Finance and International Business, and a minor in Spanish.



Jacqueline de Sanctis – Managing Director

Jackie is a Managing Director of Cliffwater LLC and is focused on Institutional Advisory Product and Business Development. Prior to joining Cliffwater in 2020, Jackie was Head of Investor Relations for ClearSky. Previous experience includes relationship and product roles at Neuberger Berman, RCM Capital Management, Credit Suisse, and JPMorgan.

She earned her Master of Arts in Classical Studies with Honors from the University of St. Andrews.



Jonathan Rogal – Senior Managing Director & General Counsel

Jonathan is a Senior Managing Director and General Counsel of Cliffwater LLC and is responsible for the legal and compliance functions at Cliffwater. Prior to joining Cliffwater in 2006, Jonathan worked at Paul, Hastings, Janofsky & Walker LLP where he represented domestic and international private and public companies in all aspects of corporate and business law. Previous experience includes working for Fried, Frank, Harris, Shriver & Jacobson LLP.

He earned a BS in Industrial and Labor Relations from Cornell University, and a JD from New York University School of Law. He is admitted to the California and New York State Bars.

Agenda

- I. Cliffwater Private Credit Credentials
- II. Cliffwater Private Credit Proposal to FCERA

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Private Credit Credentials

Private Credit Research Leadership

Cliffwater Direct Lending Index (CDLI)

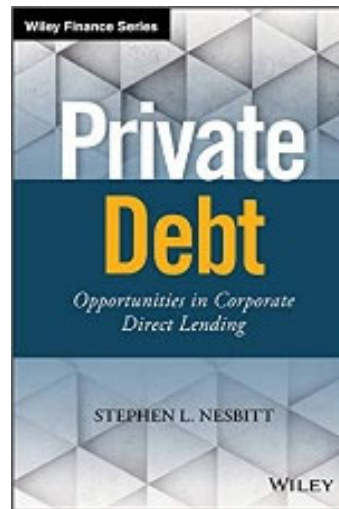
- Primary source of data on middle market corporate private debt (>7,000 individual loans)
- Quarterly performance benchmark for corporate direct lending going back to Sept 2004
- Market data on yields, defaults, recoveries, borrower size, sponsorship, loan-to-value, etc.

Publications:



The Investment Opportunity in U.S. Middle Market Direct Lending

Stephen L. Nesbitt



2019



2020 Q4 Report on U.S. Direct Lending

Private debt is a rapidly growing asset class among institutional investors, a trend that is expected to continue. This report focuses on fourth quarter 2020 and calendar year performance for one of the largest segments of private debt, U.S. middle market corporate lending.

The Cliffwater Direct Lending Index

Our performance analysis relies upon the Cliffwater Direct Lending Index, or CDLI, an asset-weighted index of over 6,000 directly originated middle market loans totaling \$130 billion on September 30, 2020. The CDLI assists investors to better understand asset class characteristics and to benchmark manager performance.

Launched in 2015, the CDLI was reconstructed back to 2004 using quarterly SEC filings required of business development companies, whose primary asset holdings are U.S. middle market corporate loans. Importantly, SEC filing and transparency requirements eliminate common biases of survivorship and self-selection found in other industry universe and index benchmarks. And finally, loan assets in the CDLI are managed for total return by independent asset managers, unlike similar loans within insurance companies where statutory and other regulatory requirements can result in non-performance objectives. See www.CliffwaterDirectLendingIndex.com for further information on the CDLI.

CDLI Returns²

	Fourth Quarter 2020	Calendar Year 2020	From Sep 2004 Inception ¹
Interest Income	2.36%	9.44%	10.95%
+ Net Realized Gains (Losses)	-0.93%	-3.30%	-1.18%
+ Net Unrealized Gains (Losses)	2.22%	-0.47%	-0.39%
= CDLI Total Return^{1*}	3.67%	5.45%	9.29%

CDLI rebounded for the third consecutive quarter, producing a 3.67% total return in the fourth quarter; and together with strong second and third quarter returns, the calendar year CDLI ended with a respectable 5.45% total return. Interest income increased during the quarter to 2.36% (9.55% annualized) largely from increased repayment and commitment fees as deal flow surged. Realized losses, which generally lag economic downturns, remained high at -0.93% for the fourth quarter and -3.30% for the calendar year. Unrealized gains were 2.22% for the quarter, following gains in the prior two quarters. The first quarter 2020 unrealized losses of -8.80% have now been almost completely reversed.

¹ The Cliffwater Direct Lending Index (the "CDLI") seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies ("BDCs"), including both [secdatabase.com](http://www.secdatabase.com) and unlisted BDCs, subject to certain eligibility requirements. The CDLI is asset-weighted by reported fair value.
² Any information presented prior to the Launch Date (September 30, 2015) of the CDLI is back-tested. The CDLI performance has been prepared for informational purposes only. Past performance is not indicative of future returns. Please see additional CDLI disclosures at the end of this report.

³ 2020 Q4 Report on U.S. Direct Lending
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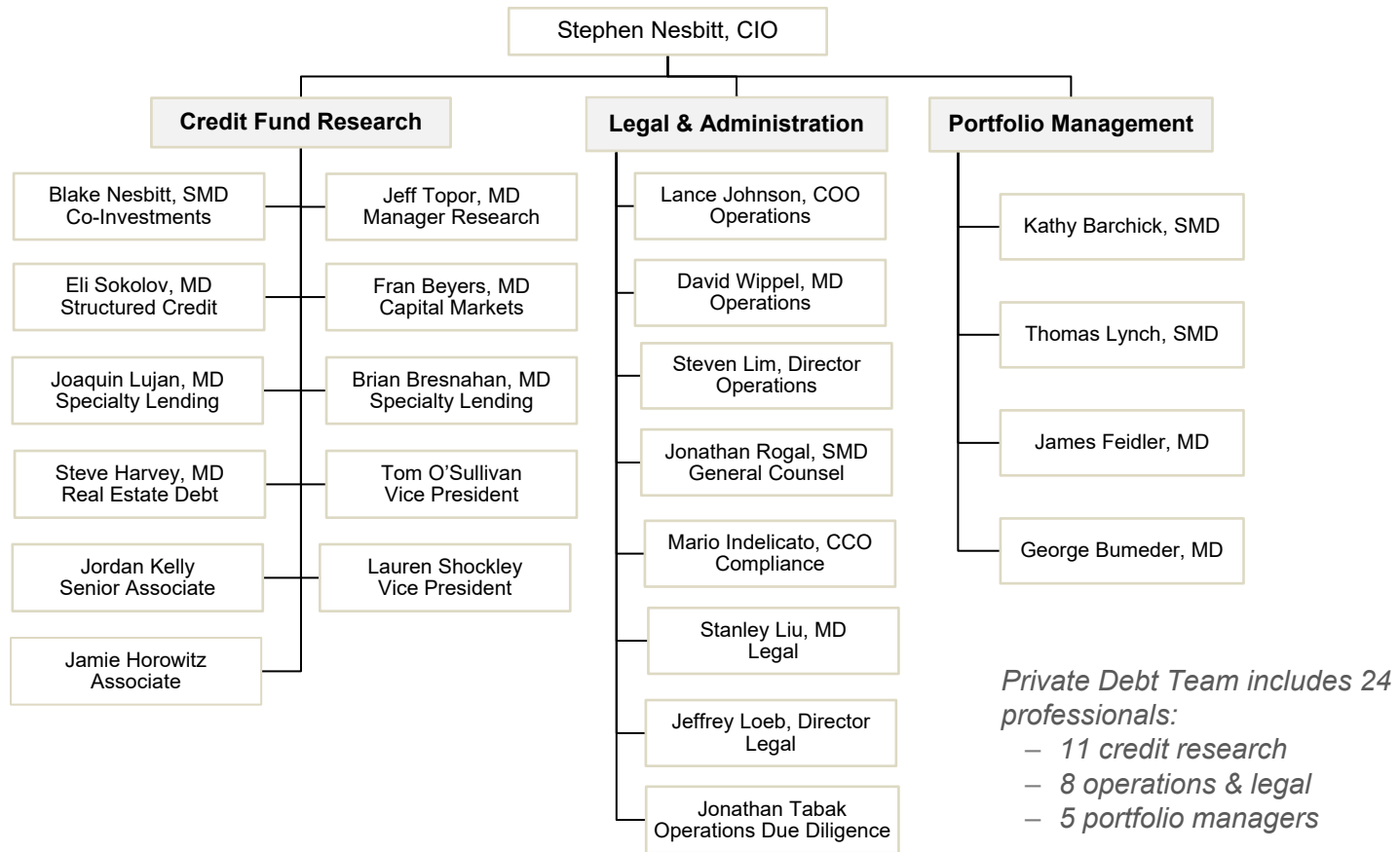
2017

Quarterly

The CDLI seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of public and private Business Development Companies, subject to certain eligibility requirements. The CDLI is asset-weighted by reported fair value. Any information presented prior to the Launch Date (September 30, 2015) of the CDLI is back-tested. The CDLI performance has been prepared for informational purposes only. Past performance is not indicative of future returns. Please see additional CDLI disclosures at the end of this presentation.



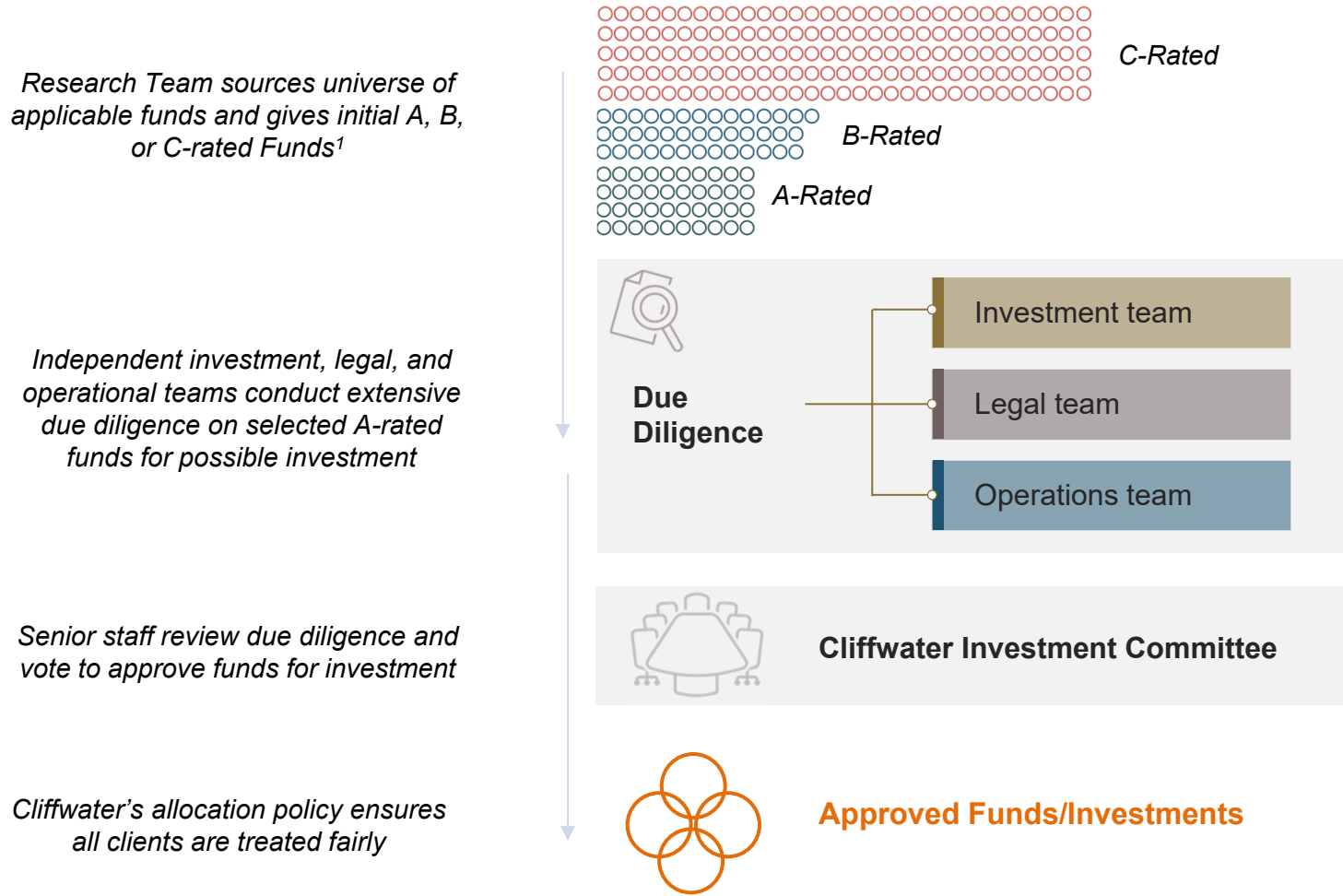
24-Member Private Credit Team*



MD: Managing Director
SMD: Senior Managing Director

*Excludes 8-person business development team

Due Diligence Process



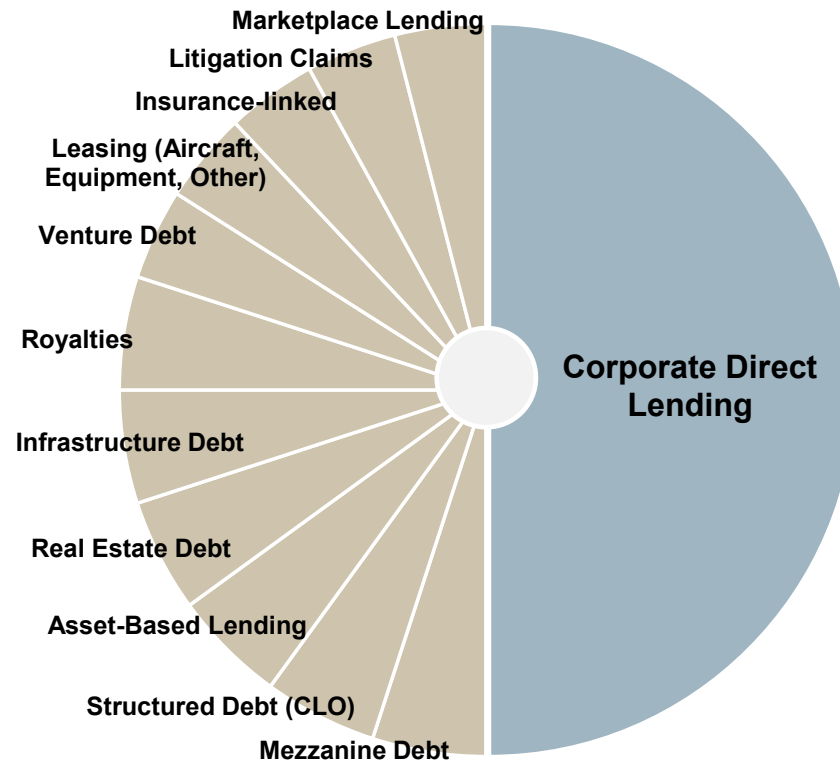
¹A-rated funds are judged by Cliffwater to meet the highest institutional standards. B-rated funds are judged by Cliffwater to be of institutional quality but fall short on one or more criteria, both qualitative and quantitative. The nature of the deficiency can impact whether and when the fund's rating might change. C-rated funds are deemed by our analysts to fall far short of institutional standards.

Private Credit as an Asset Class¹

Private Credit Opportunity Set

Enhanced Lending

- 9% to 15% expected return
- Income and principal risk makes manager selection paramount
- Modest 6% risk
- 0% to 50% allocation



Direct Lending

- 6 to 9% expected return
- yield driven (beta)
- protect principal (alpha) through manager selection
- Low 3% risk
- 50% to 75% allocation

¹For illustrative purposes only. The chart only is intended to identify the subsectors within the Private Debt opportunity set. Note: There can be no assurance that any expected rates of return or risk will be achieved. Expected rates of return and risk may be based upon assumptions regarding future events and conditions that prove to be inaccurate. Please see disclosures at the end of this presentation.

Private Credit Assets & Performance

\$2.5 billion in **discretionary** Private Credit Assets under Management (AUM)*

- “Funds-of-One”, SMAs, SEC-registered funds
- Growing at approximately \$200 million per month

\$6.7 billion in **non-discretionary** Private Credit Assets under Management (AUA)*

*Cliffwater Private Credit Discretionary Track Record (TWR)***

		2020	3-Years	5-Years	Inception	Inception Date
1	Cliffwater Direct Lending	9.46%	8.57%	10.01%	9.50%	4/17/2015
2	<i>Benchmark: S&P/LSTA</i>	3.12%	4.02%	5.24%	4.03%	4/17/2015
3	<i>Benchmark: BB High Yield Bond</i>	7.12%	6.24%	8.59%	6.11%	4/17/2015
4	Cliffwater Enhanced Lending	14.11%	13.32%	12.31%	11.13%	12/28/2012
5	<i>Benchmark: S&P/LSTA</i>	3.12%	4.02%	5.24%	4.03%	12/28/2012
6	<i>Benchmark: BB High Yield Bond</i>	7.12%	6.24%	8.59%	5.95%	12/28/2012

*Excludes distressed debt which Cliffwater and most industry professionals generally categorize within private equity. The reason is that distressed debt is non-performing (it is not paying cash income) while private credit is performing.

**Calculated using time-weighted return (TWR) as of 12/31/2020. Past performance is not indicative of future returns. See disclosures at the end of this presentation.



Cliffwater Proposal to FCERA

Three Year Transition Plan for FCERA Private Credit Portfolio

Target 7.0% expected return, 5.0% expected risk for FCERA Credit Portfolio

- Expected return equal to 3% to 4% per annum premium above public high yield credit
- Achieve return primarily from cash interest income
- Propose limit on portfolio leverage to 1.0x to control overall portfolio risk
- Target 75% Direct Lending, 25% Enhanced Lending
- Achieve, maintain FCERA 8% target allocation to Private Credit

Increased Role for Direct Lending Portfolio

- Propose increase in Direct Lending portfolio from 60% (Dec 2020) to 75% (Dec 2023), using cash flow from existing private credit investments and new FCERA commitments
- Complement Carlyle Direct Lending portfolio with approximately two additional lenders to better diversify the overall direct lending portfolio and potentially reduce fees.
 - Cliffwater believes that using a single lender (Carlyle) potentially hinders important return and diversification benefits available to FCERA

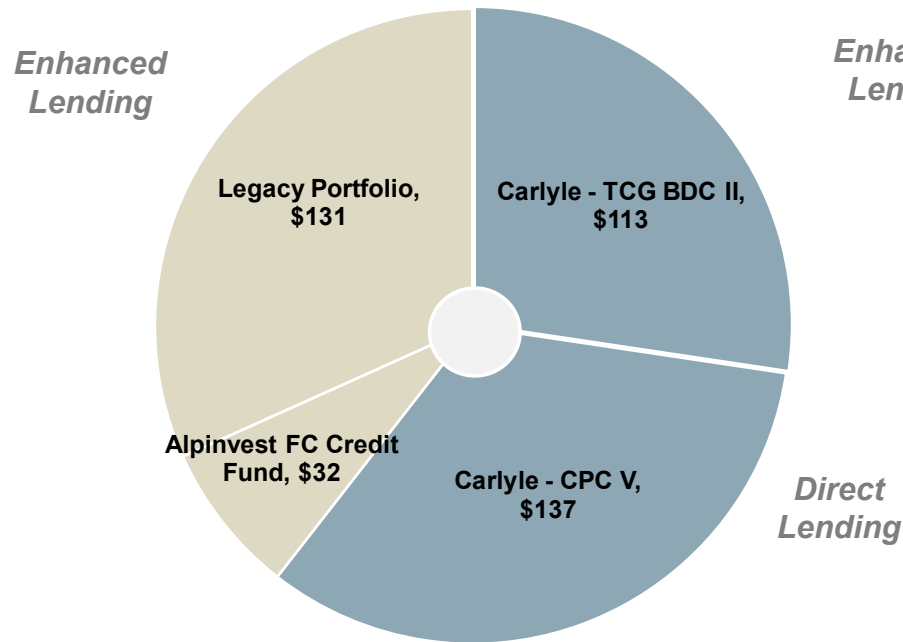
Monitor/Reduce Legacy and Alpinvest Portfolios

- Actively monitor all existing private funds, including opportunities for secondary sales
- Track expected reduction in allocation to 25% of Private Credit in 2023
- Add Enhanced Lending opportunities if, and when, downsizing exceeds expectations

There can be no assurance that any targeted or expected rate of return, risk, or yield will be achieved. Rate of return, risk, and yield targets and expectations are subjective determinations by Cliffwater based on a variety of factors, including, among other things, investment strategy, prior performance of similar strategies, and market conditions.

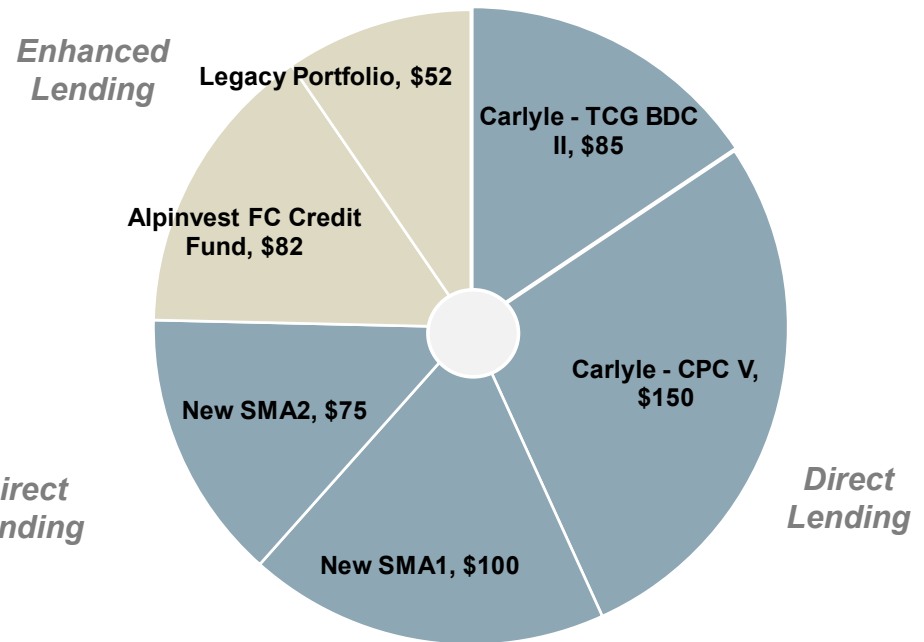
Before/After FCERA Private Credit Portfolios

Existing Credit Portfolio (2020)



\$414m NAV
7.2% of FCERA Total Assets
67% Private Funds
60% Direct Lending
40% Enhanced Lending

Proposed Credit Portfolio (2023)



\$544m NAV
8.0% of FCERA Total Assets
40% Private Funds
75% Direct Lending
25% Enhanced Lending

Existing FCERA Credit Investments

Legacy Portfolio (\$131m NAV, \$56m unfunded commitment at Dec 2020)

- 10 B-rated funds, mostly “distressed”
- 1 A-rated fund (TAO)
- Recommend continued liquidation
- Expect \$102m NAV after 3 years (Dec 2023)
- Potential secondary fund sales, but not likely

AlpInvest FC Credit Fund (\$122m NAV, \$59m unfunded commitments at Dec 2020)

- 2 B-rated funds
- 3 A-rated funds (Sentinel, Linden, VSS)
- Recommend termination (if possible) and liquidation
- Expect \$81m NAV after 3 years (Dec 2023)
- Potential secondary fund sales, but not likely

Existing FCERA Credit Investments (continued)

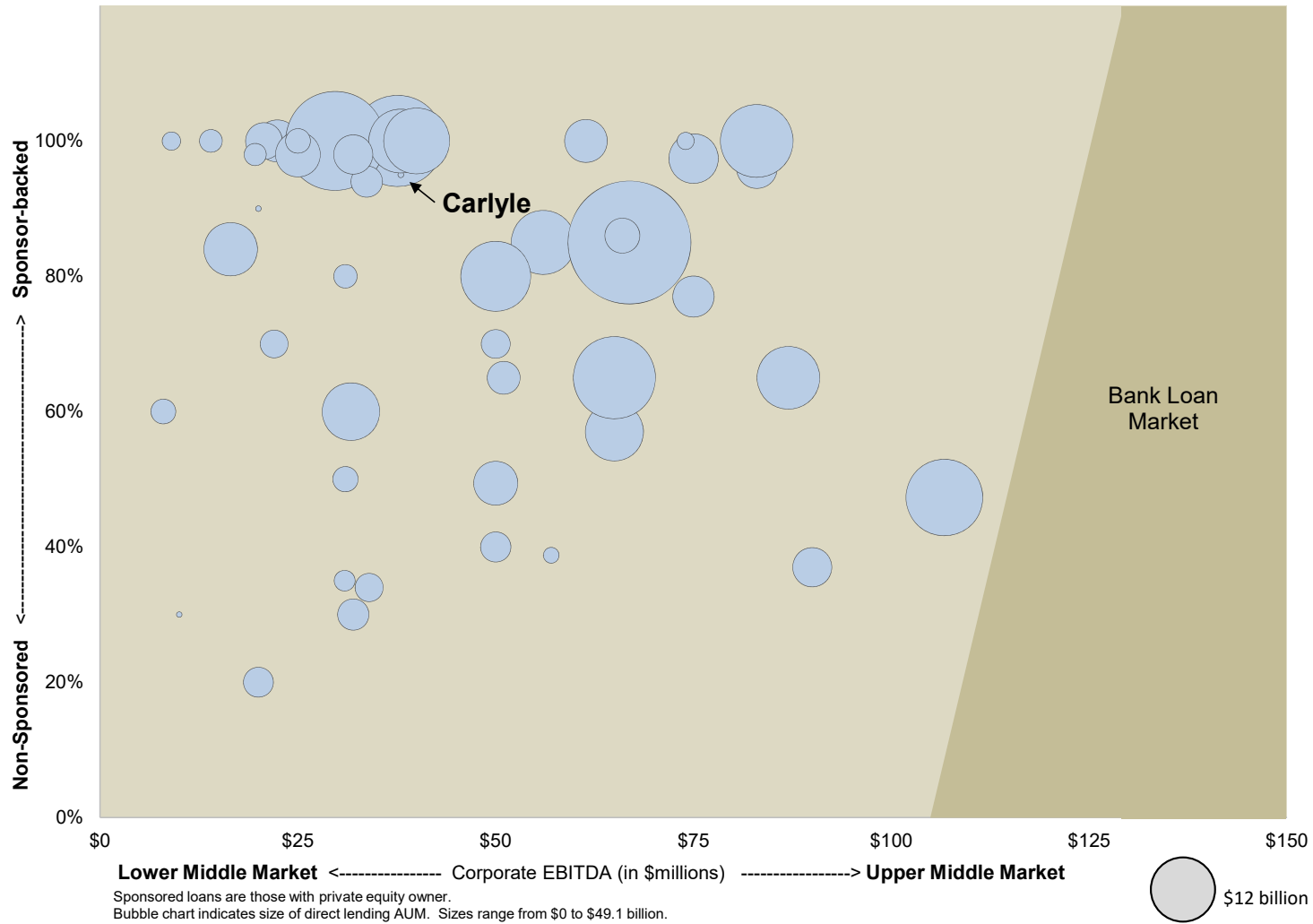
TCG BDC II (\$114m NAV, \$28m unfunded commitment at Dec 2020)

- Cliffwater has significant industry expertise in private and public BDCs
- A-rated
- Fees high relative to institutional standards
- Investment period ends in Sep 2022 and liquidates thereafter
- Expect \$105m NAV after 3 years (Dec 2023)

CPC V (\$137m NAV, \$23m unfunded commitment at Dec 2020)

- A-rated
- Review future terms, including leverage
- Expect \$80m NAV after 3 years (Dec 2023)

Important to Diversify Lenders



Proposed Cliffwater Fee

Management fee: 15 basis points (3.75 basis points per quarter) on net asset value

Performance fee: 15 basis points (3.75 basis points per quarter) on net asset value if:

- a. Trailing one-year Private Credit return, net of management fees, is greater than 2% above FCERA benchmark return, AND
- b. Trailing five-year Private Credit return, net of management fees, is greater than 2% above FCERA benchmark return

Why Cliffwater for FCERA Private Credit

- ✓ Thought Leadership
- ✓ Deep Resources
- ✓ Discretionary Management Experience
- ✓ Excellent Track Record
- ✓ A Portfolio Proposal We Believe In
- ✓ Attractive Fees

CLIFFWATER^{LIC}

Appendix

Cliffwater Track Record Using IRR Calculation*

Cliffwater Private Debt Discretionary Track Record (IRR)**

	2020	3-Years	5-Years	Inception	Inception Date
1 Cliffwater Direct Lending	12.23%	10.88%	11.02%	11.02%	4/17/2015
2 <i>Benchmark: S&P/LSTA PME**</i>	6.73%	6.17%	2.95%	6.13%	4/17/2015
3 <i>Benchmark: BB High Yield Bond</i>	11.11%	10.04%	4.68%	9.96%	4/17/2015
4 Cliffwater Enhanced Lending	19.33%	16.35%	15.65%	15.32%	12/28/2012
5 <i>Benchmark: S&P/LSTA</i>	10.32%	8.27%	8.16%	7.72%	12/28/2012
6 <i>Benchmark: BB High Yield Bond</i>	14.21%	11.57%	11.59%	10.72%	12/28/2012

- Cliffwater presents its discretionary Private Debt track record above using the internal-rate-of-return (IRR) calculation which is common when evaluating private asset managers. The IRR method is preferred when discretionary managers like general partners have discretion over cash flows from (drawdowns) and to (distributions) investors. Even though managers that Cliffwater allocates to have this discretion in many cases, and Cliffwater might judge their performance based upon IRR, Cliffwater does not have the same control over its client/investor cash flows. Consequently, Cliffwater prefers to use the time-weighted-return (TWR) calculation when presenting its Private Debt performance because it more accurately reflects Cliffwater contribution to return. Nonetheless, we recognize that others use IRR for all calculations so we present performance above using that methodology. Doing so, Cliffwater also presents benchmark returns for the S&P/LSTA Leveraged Loan Index and the Bloomberg Barclays Aggregate Bond Index using the Public Market Equivalent (“PME”) IRR method, matching the timing and levels of cash flows to the discretionary Cliffwater Direct Lending and Enhanced Lending Composites.

** As of 12/31/2020. Past performance is not indicative of future returns. See disclosures at the end of this presentation.

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There can be no assurance that any expected rate of return, risk, or yield will be achieved. Rate of return, risk, and yield expectations are subjective determinations by Cliffwater based on a variety of factors, including, among other things, investment strategy, prior performance of similar strategies, and market conditions. Expected rate of return, risk, and yield may be based upon assumptions regarding future events and conditions that prove to be inaccurate. Expected rate of return, risk, and yield should not be relied upon as an indication of future performance and should not form the primary basis for an investment decision. No representation or assurance is made that the expected rate of return, risk, or yield will be achieved.

This presentation may include sample or pro forma performance. Such information is presented for illustrative purposes only and is based on various assumptions, not all of which are described herein. Such assumptions, data, or projections may have a material impact on the returns shown. Nothing contained in this presentation is, or shall be relied upon as, a representation as to past or future performance, and no assurance, promise, or representation can be made as to actual returns. Past performance is not indicative of future returns, which may vary. Future returns are not guaranteed, and a loss of principal may occur.

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Cliffwater Composite Disclosures

Cliffwater Direct Lending Composite

The Cliffwater Direct Lending Composite (the “DL Composite”) is comprised of primary investments by Cliffwater’s discretionary clients in all funds or accounts managed by third party investment managers recommended by Cliffwater that use direct lending strategies and that Cliffwater designates as a direct lending investment (collectively referred to herein as “Third Party Direct Lending Investments”). Cliffwater’s categorization of a fund or account as a Third Party Direct Lending Investment is determined based on Cliffwater’s own evaluation of the information provided by the managers of the fund or account. Other industry participants may categorize such funds or accounts differently and, therefore, the DL Composite may be broader or narrower than another investment manager’s representation of direct lending investments, which could result in different returns.

Investments by Cliffwater’s clients in funds or accounts managed by third party investment managers using direct lending strategies, but which have not been recommended by Cliffwater, are excluded from the DL Composite because Cliffwater does not believe that such investments are illustrative of Cliffwater’s investment judgment. Further, investments by Cliffwater’s clients in Third Party Direct Lending Investments for which Cliffwater is not responsible for ongoing reporting and monitoring are also excluded from the DL Composite since Cliffwater does not have access to the information about the performance of such investments. Accordingly, the DL Composite is not a complete representation of Cliffwater’s clients’ investments in Third Party Direct Lending Investments and a client’s actual performance of its investments in Third Party Direct Lending Investments may have been higher or lower than the performance of the DL Composite.

The time weighted return (TWR) of the DL Composite is calculated using the combined Cliffwater discretionary client daily cash flows, declared but undistributed dividends, and quarterly values for the investments included in the composite. The quarterly values used in the composite are the valuations reported by the sponsor and/or administrator of the fund or account. The TWR relies upon the accuracy and completeness of financial information provided to Cliffwater by such sponsors and/or administrators and the custodian banks of Cliffwater’s clients and, therefore, Cliffwater has not conducted an independent verification of this information. All cash flows and values used to calculate the TWRs are in, or have been converted to, U.S. dollars. The TWR is net of (i) all underlying fund or account expenses, management fees, and performance-based fees and (ii) Cliffwater’s actual fees, determined based on an allocation of Cliffwater’s compensation to assets under advisement by strategy. The TWR is calculated from inception (April 17, 2015) through the date indicated. Past performance is not indicative of future returns, which may vary. Future returns are not guaranteed, and a loss of principal may occur.

The internal rate of return (IRR) of the DL Composite is calculated using the combined Cliffwater discretionary client daily cash flows, declared but undistributed dividends, and residual values for the investments included in the DL Composite. The residual values used in the DL Composite are the valuations reported by the sponsor and/or administrator of the fund or account. Values used might not represent the actual terms at which a transaction could occur and different funds or accounts could use different valuations for the same investments. The IRR relies upon the accuracy and completeness of financial information provided to Cliffwater by such sponsors and/or administrators and the custodian banks of Cliffwater’s clients and, therefore, Cliffwater has not conducted an independent verification of this information. All cash flows and values used to calculate the IRR are in, or have been converted to, U.S. dollars. The IRR is net of (i) all underlying fund or account expenses, management fees, and performance-based fees and (ii) Cliffwater’s actual fees, determined based on an allocation of Cliffwater’s compensation to assets under advisement by strategy. The individual return components of the DL Composite return were determined based on Cliffwater’s interpretation of the financial information provided to Cliffwater by the sponsor and/or administrator of the fund or account. Other industry participants may categorize the returns differently and, therefore, could determine different returns for the same investments.

The DL Composite itself is not a financial product and, accordingly, you cannot directly invest in it. Past performance is not indicative of future returns, which may vary. Future returns are not guaranteed, and a loss of principal may occur.

Cliffwater Composite Disclosures

Cliffwater Enhanced Lending Composite

The Cliffwater Enhanced Lending Composite (the “Enhanced Composite”) is comprised of primary and secondary investments by Cliffwater's discretionary clients, in all funds or accounts managed by third party investment managers recommended and/or managed by Cliffwater that use the following strategies: asset-based credit, structured credit, direct lending, mezzanine, royalties, real estate debt and infrastructure debt. Strategy categorizations of funds or accounts included in the Enhanced Composite are determined based on Cliffwater's interpretations of information provided by the fund or account. Other industry participants may categorize funds or accounts differently.

Certain investments by Cliffwater's clients are excluded from the Enhanced Composite since Cliffwater does not believe that such investments are illustrative of Cliffwater's investment judgment. These types of investments consist of investments in funds or accounts that were not recommended by Cliffwater and fund-of-funds. Further, investments by Cliffwater's clients for which Cliffwater is not responsible for ongoing reporting and monitoring are also excluded since information about the performance of such investments is not available to Cliffwater. Accordingly, the Enhanced Composite is not a complete representation of Cliffwater's clients' investments in the types of investments mentioned in the above paragraph, and a client's actual performance of its investments in such investments may have been higher or lower than the performance of the Enhanced Composite.

The time weighted return (TWR) of the Enhanced Composite is calculated using the combined Cliffwater discretionary client daily cash flows, declared but undistributed dividends, and quarterly values for the investments included in the composite. The quarterly values used in the composite are the valuations reported by the sponsor and/or administrator of the fund or account. The TWR relies upon the accuracy and completeness of financial information provided to Cliffwater by such sponsors and/or administrators and the custodian banks of Cliffwater's clients and, therefore, Cliffwater has not conducted an independent verification of this information. All cash flows and values used to calculate the TWRs are in, or have been converted to, U.S. dollars. The TWR is net of (i) all underlying fund or account expenses, management fees, and performance-based fees and (ii) Cliffwater's actual fees, determined based on an allocation of Cliffwater's compensation to assets under advisement by strategy. The TWR is calculated from inception (December 28, 2012) through the date indicated. Past performance is not indicative of future returns, which may vary. Future returns are not guaranteed, and a loss of principal may occur.

The internal rate of return (IRR) of the Enhanced Composite is calculated using the combined Cliffwater discretionary client, daily cash flows, declared but undistributed dividends, and residual values for the investments included. The residual values used in the Enhanced Composite are the valuations reported by the sponsor and/or administrator of the fund or account. Values used might not represent the actual terms at which a transaction could occur and different funds or accounts could use different valuations for the same investments. The IRR relies upon the accuracy and completeness of financial information provided to Cliffwater by such sponsors and/or administrators and the custodian banks of Cliffwater's clients and, therefore, Cliffwater has not conducted an independent verification of this information. All cash flows and values used to calculate the IRR are in, or have been converted to, U.S. dollars. The IRR is net of (i) all underlying fund or account expenses, management fees, and performance-based fees and (ii) Cliffwater's actual fees, determined based on an allocation of Cliffwater's compensation to assets under advisement by strategy. The individual return components of the Enhanced Composite return were determined based on Cliffwater's interpretation of the financial information provided to Cliffwater by the sponsor and/or administrator of the fund or account. Other industry participants may categorize the returns differently and, therefore, could determine different returns for the same investments.

The Enhanced Composite itself is not a financial product and, accordingly, you cannot directly invest in it. Past performance is not indicative of future returns, which may vary. Future returns are not guaranteed, and a loss of principal may occur.

The Enhanced Composite return has been benchmarked against the S&P/LSTA U.S. Leveraged Loan Index. This index IRR is calculated as an IRR reflecting how a portfolio would have performed from inception of the Enhanced Composite through the date indicated had matching cash flows of the investments comprising the Enhanced Composite been invested in and withdrawn from the index. The index IRR reflects the reinvestment of dividends but does not reflect the deduction of any fees or expenses, which would reduce returns.

See the “Index Disclosures” on the next page for additional information.

Cliffwater Direct Lending Index disclosures

The Cliffwater Direct Lending Index (the "CDLI") seeks to measure the unlevered, gross of fees performance of U.S. middle market corporate loans, as represented by the underlying assets of Business Development Companies ("BDCs"), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. The CDLI is an asset-weighted index that is calculated on a quarterly basis using financial statements and other information contained in the U.S. Securities and Exchange Commission ("SEC") filings of all eligible BDCs. Cliffwater believes that the CDLI is representative of the direct lending asset class. The CDLI is owned exclusively by Cliffwater, and is protected by law including, but not limited to, United States copyright, trade secret, and trademark law, as well as other state, national, and international laws and regulations. Cliffwater provides this information on an "as is" and "as available" basis, without any warranty of any kind, whether express or implied. Past performance of the CDLI is not indicative of future returns. It is not possible to invest directly in the CDLI. The CDLI returns shown are not based on actual advisory client returns and do not reflect the actual trading of investible assets. The performance of the CDLI has not been reviewed by an independent accounting firm and has been prepared for informational purposes only and should not be considered investment advice. Index returns do not reflect payment of any sales charges or fees a person may pay to purchase the securities underlying the CDLI or a product that is intended to track the performance of the CDLI. The imposition of these fees and charges would cause the actual and back-tested performance of these securities or products to be lower than the CDLI performance shown.

Any information presented prior to the Launch Date (September 30, 2015) of the CDLI is back-tested. Back-tested performance is not actual performance, but is hypothetical. Unless otherwise indicated, the back-tested calculations are based on the same methodology that was in effect when the CDLI was officially launched. Please refer to the methodology paper for the CDLI (available at www.CliffwaterDirectLendingIndex.com) for more details about the CDLI, including the Base Date/Value (September 30, 2004 at 1,000) and the Launch Date of the CDLI and the manner in which the CDLI is reconstituted and the eligibility criteria for the CDLI. Prospective application of the methodology used to construct the CDLI may not result in performance commensurate with any back-tested returns shown. The back-test period does not necessarily correspond to the entire available history of the CDLI. Another limitation of back-tested hypothetical information is that generally the back-tested calculation is prepared with the benefit of hindsight. Back-tested data reflect the application of the CDLI methodology and selection of CDLI constituents in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. For example, there are numerous factors related to the financial markets in general which cannot be, and have not been accounted for, in the preparation of the CDLI information set forth, all of which can affect actual performance. When Cliffwater was unable to determine the nature of a BDC's investments because of limited information included in historical SEC filings, Cliffwater did not apply the portfolio composition criteria (a substantial majority (approximately 75%) of reported total assets are represented by direct loans made to corporate borrowers, as categorized by each BDC and subject to Cliffwater's discretion) to the BDC. In addition, the criteria regarding the timing of SEC filings was not applied for periods prior to the Launch Date of the CDLI. All other eligibility criteria were applied to determine whether to include the BDC in the historical CDLI composition and return. CDLI returns generally are published 75 days after calendar quarter-end.

The CDLI is derived from sources that are considered reliable, but Cliffwater does not guarantee the veracity, currency, completeness or accuracy of the CDLI or other information furnished in connection with the CDLI. The CDLI may include inaccuracies or typographical errors. Due to various factors, including the inherent possibility of human or mechanical error, the accuracy, completeness, timeliness and correct sequencing of such information and the results obtained from its use are not guaranteed by Cliffwater. No representation, warranty or condition, express or implied, statutory or otherwise, as to condition, satisfactory quality, performance, or fitness for purpose are given or duty or liability assumed by Cliffwater in respect of the CDLI or any data included therein, omissions therefrom or the use of the CDLI in connection with any product, and all those representations, warranties and conditions are excluded save to the extent such exclusion is prohibited by applicable law.

Index disclosures

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an “index”) are provided for information only. Reference to an index does not imply that a portfolio will achieve returns, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time. Investors cannot invest directly in indices and, unlike an account managed by Cliffwater, an index is unmanaged and fully invested. Index returns reflect the reinvestment of dividends but do not reflect the deduction of any fees or expenses, which would reduce returns.

The S&P/LSTA U.S. Leveraged Loan Index is a market value-weighted index designed to measure the performance of the institutional leveraged loan market in the United States based upon market weightings, spreads and interest payments, including Term Loan A, Term Loan B and Second Lien tranches.

The Bloomberg Barclays U.S. Corporate High Yield Index (Bloomberg Barclays High Yield) measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices’ EM country definition are excluded.