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**Form ADV Part 2A Brochure**  
March 28, 2016

This brochure provides information about the qualifications and business practices of Cliffwater LLC ("Cliffwater"). If you have any questions about the contents of the brochure, please contact us at (310) 448-5000 or at [info@cliffwater.com](mailto:info@cliffwater.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about Cliffwater also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Any references to Cliffwater as a 'registered investment adviser' or as 'registered' do not imply a certain level of skill or training.

## **Item 2: Material Changes**

The following material substantive changes were made to the information provided in the last update of Cliffwater's Part 2A of Form ADV, dated March 25, 2015:

Item 4: Advisory Business: Included a disclosure relating to Cliffwater providing investment advisory services to high net worth individuals and a description of the Cliffwater Direct Lending Index and a related website sponsored by Cliffwater.

Item 7: Types of Clients: Included a disclosure relating to Cliffwater providing investment advisory services to high net worth individuals.

In addition, other non-substantive, clarifying changes were made throughout this Part 2A of Form ADV, including changes with respect to Cliffwater's advisory services, monitoring process and reporting and proxy voting policies.

### Item 3: Table of Contents

Item 1: Cover Page .....	i
Item 2: Material Changes.....	ii
Item 3: Table of Contents.....	iii
Item 4: Advisory Business.....	1
Item 5: Fees and Compensation.....	2
Item 6: Performance-Based Fees and Side-By-Side-Management .....	3
Item 7: Types of Clients .....	3
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....	3
Item 9: Disciplinary Information.....	6
Item 10: Other Financial Industry Activities and Affiliations.....	6
Item 11: Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	7
Item 12: Brokerage Practices.....	7
Item 13: Review of Accounts .....	8
Item 14: Client Referrals and Other Compensation.....	9
Item 15: Custody.....	9
Item 16: Investment Discretion .....	9
Item 17: Voting Client Securities.....	9
Item 18: Financial Information.....	10

#### **Item 4: Advisory Business**

Cliffwater was formed as a limited liability company in Delaware on June 14, 2004. Cliffwater provides investment advisory services to a variety of clients, including institutions (such as endowments, foundations, retirement systems, and financial institutions) and high net worth individuals. Cliffwater assists clients globally in their allocations to alternative investments, including hedge funds, private equity, real assets, and liquid alternative investments. Cliffwater works with clients on their alternative investment portfolios in a non-discretionary or discretionary capacity. In addition, Cliffwater may provide investment advice for some clients on a broad range of traditional strategies, primarily in connection with its alternative investment services.

Cliffwater generally advises clients on the selection of investments in commingled funds, including co-investments with those vehicles, and separate accounts that are managed by other investment managers. These vehicles in turn may invest in a variety of securities including U.S. and non-U.S. equity, fixed income, derivatives and private assets.

Cliffwater tailors its advisory services to the individual needs of its clients based on each client's specific circumstances and the services it desires. For example, some clients may select Cliffwater's non-discretionary advisory services, whereas other clients may choose discretionary advisory services. In addition, some clients may retain Cliffwater to provide advisory services for all of their alternative investments, whereas other clients may retain Cliffwater for one alternative asset category (e.g., hedge funds). Finally, some clients may want a full range of advisory services including strategy, education and research, portfolio construction, investment recommendations, and monitoring and reporting, whereas other clients may want a subset of these services.

Cliffwater is 100% owned by its active employees. Two principals, Stephen L. Nesbitt, Chief Executive Officer, and Kathleen K. Barchick, Senior Managing Director, each own 25% or more of Cliffwater interests.

Cliffwater performs its investment advisory services for multiple clients and acts in a manner consistent with its fiduciary obligation to treat all clients in a fair and equitable manner when providing investment advice. Actions taken in the performance of Cliffwater's investment advisory services for one client may differ from the timing or nature of an action taken for another client depending on the client's investment objectives and guidelines, legal structure requirements, current portfolio and liquidity needs, readiness for investment and timing of investment opportunities. Therefore, investment results may vary among clients.

##### *Non-Discretionary Advisory Services*

In non-discretionary advisory assignments, consultants seek to help clients implement an investment portfolio that meets industry best practices, to provide clients with access to top-tier investment opportunities, and to give clients the information necessary to make informed investment decisions. Work may include identifying potential investment opportunities, performing due diligence on investment opportunities, providing advice relating to asset allocation and investment selection, gaining access to investment opportunities, and providing ongoing monitoring of investment portfolios. Client assignments are performed according to a defined scope of services in client contracts.

##### *Discretionary Advisory Services*

Cliffwater manages discretionary investment portfolios for which it seeks to select top-tier investment opportunities and to provide investment management and administrative services to implement the selected investment portfolio for the client. Work may include identifying potential investment opportunities, performing due diligence on investment opportunities, providing advice relating to asset allocation, selecting appropriate investments, gaining access to investment opportunities, and providing ongoing monitoring of investment portfolios. Client assignments are performed according to

a defined scope of services in client contracts and client-specific investment guidelines. Cliffwater does not participate in wrap fee programs.

Cliffwater client invested assets under advisement as of December 31, 2015 are approximately:

Non-discretionary advisory services*:	\$ 76,624,586,728
Discretionary advisory services**:	\$ 1,098,413,272

*\* includes non-discretionary client invested assets where Cliffwater provides a variety of advisory services including asset allocation, fund adviser recommendations, and portfolio monitoring. For the avoidance of doubt, Cliffwater does not consider such assets to be under management because Cliffwater does not have trading authority over these assets.*

*\*\* includes discretionary client invested assets but excludes unfunded private assets which are included in regulatory assets under management in Cliffwater's Form ADV Part 1.*

In October 2013, Cliffwater formed a joint venture with Virtus Investment Partners, Inc. ("Virtus") to develop liquid alternative investment strategies for the retail market and to serve as a subadviser for new funds that implement these strategies. Virtus, a publicly traded company listed on the NASDAQ, is a firm that sponsors a family of mutual funds and other retail investment products. The joint venture, Cliffwater Investments LLC, is a Delaware limited liability company and is registered as an investment adviser with the Securities and Exchange Commission. Virtus is the majority owner of the joint venture.

Each of Cliffwater and Virtus provides services to the joint venture based on their expertise and capabilities. Cliffwater provides its asset allocation research, portfolio construction, manager selection, and portfolio monitoring services, which are the same services that it provides to its clients. For the joint venture, Virtus provides legal and compliance functions and business support services. For the retail funds, Virtus is responsible for advisory oversight, fund distribution, fund administration, and legal and compliance functions.

In January 2015, Cliffwater began publishing the Cliffwater BDC Index, which is a capitalization-weighted index capturing the performance of lending-oriented, exchange-listed business development companies ("BDCs") that satisfy certain eligibility requirements. At the same time, Cliffwater launched [www.BDCs.com](http://www.BDCs.com), a website whose purpose is to educate investors about publicly traded BDCs. The information on the website, including information regarding the index, is intended for informational purposes only and should not be construed as an offering of advisory services.

In January 2016, Cliffwater began publishing the Cliffwater Direct Lending Index, which is an index comprised of all underlying assets held by BDCs that satisfy certain eligibility requirements. The index is asset-weighted by reported fair value. In connection with the publication of the index, Cliffwater also launched [www.CliffwaterDirectLendingIndex.com](http://www.CliffwaterDirectLendingIndex.com). The information on the website, including information regarding the index, is intended for informational purposes only and should not be construed as an offering of advisory services.

## Item 5: Fees and Compensation

### Compensation Payable for all Services:

Cliffwater advisory fees are billed monthly or quarterly in arrears for services rendered. Cliffwater does not deduct fees from its clients' accounts. Fees for partial periods are prorated based on the number of days the account was serviced during the period. Clients may terminate their advisory contracts with Cliffwater for cause or upon notice as agreed by contract.

In addition, Cliffwater may provide to clients services for special projects. Fees for these services are negotiated individually based on the scope of the project and are separately billed to the client.

Other than travel expenses which may be negotiated as part of the advisory fee arrangement, Cliffwater does not charge to clients any other types of fees or expenses in connection with its advisory services. Clients are responsible for any fees, including potentially performance-based fees, charged by investment managers. In addition, client assets that are invested in a fund or separate account will bear their share of the fund's or account's operating and other expenses, which may include legal expenses, accounting expenses, audit and tax preparation expenses, organizational expenses, administrator and custodian charges, brokerage commissions and other transaction costs. See Item 12.

Cliffwater does not receive fees or any other compensation from investment managers or other service providers for fund selections and recommendations made to its clients. Separately, Cliffwater receives fees for its standard advisory services provided to a small number of clients who are investment managers that offer products and services to their investors and clients. Cliffwater will advise a client in the limited instances where an affiliation exists between a fund selected or recommended for the client's portfolio and one of Cliffwater's investment manager clients.

Cliffwater does not have a standard fee schedule; each client's fees are individually negotiated.

Fee Schedule for Non-Discretionary Advisory Services:

Fees for non-discretionary advisory services are structured either as an annual retainer fee or as a percentage of assets under advisement. Cliffwater does not charge a performance fee based on a share of capital gains. The fees are negotiated based on the scope of services, the size and complexity of the investment program, the amount of customized work and education, and the frequency of meetings and travel, among other factors.

Fee Schedule for Discretionary Advisory Services:

Fees for discretionary advisory services are structured either as an annual retainer fee or as a percentage of assets under management. Cliffwater does not charge a performance fee based on a share of capital gains. The fees are negotiated based on the scope of services, the size and complexity of the investment program, the amount of customized work and education, the level of portfolio administration, and the frequency of meetings and travel, among other factors.

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

Fees for clients are structured either as an annual retainer fee or as a percentage of assets under advisement or management, as applicable. Cliffwater does not charge a performance fee based on a share of capital gains. Since Cliffwater provides its services for clients with different fee structures, Cliffwater may have an incentive to favor client accounts for which it receives a fee based on assets under advisement or management, as applicable. Cliffwater addresses this potential conflict of interest by following an allocation policy that provides for a fair and equitable allocation of investment opportunities among its clients. When an investment opportunity is appropriate for one or more Cliffwater clients, portfolio investments may be allocated among each client on a pro rata basis or such other basis as Cliffwater determines to be fair and equitable over time.

#### **Item 7: Types of Clients**

Cliffwater provides investment advisory services to corporate and public pension plans, endowments and foundations, financial institutions, investment advisers of mutual funds, investment companies, other business entities, trusts, and high net worth individuals.

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

Cliffwater conducts its own research for purposes of portfolio construction, investment selection and asset allocation. Portfolio construction and asset allocation recommendations are based on internal

capital markets research and on analyses performed using proprietary models. Investment selection is based on internal asset class and asset sector research, as well as due diligence from an investment and operational standpoint on investment managers and their investment products and vehicles. This research uses internal and external quantitative tools and qualitative analysis for evaluating alternative investments, including hedge funds, private equity, real assets, and liquid alternative investments, and traditional investment strategies. The evaluation relies on information gathered through public sources, on information provided by the manager organizations, on interviews with personnel within and outside of those organizations, and on Cliffwater's analysis of that information. Areas examined during the due diligence process may include a manager's investment strategy, risk management processes, investment experience, ownership structure, track record, operations and governance, and references.

Cliffwater's investment strategy depends on the specific investment mandate for which the client has retained Cliffwater for investment advisory services. However, Cliffwater generally takes the following approach when employing its investment strategies:

- 1) Understand the client's overall investment objectives, investment policies and guidelines;
- 2) Recommend long-term allocation strategies to various asset classes, including alternative assets;
- 3) Advise on or, for a discretionary client, implement a portfolio structure to meet return and risk objectives and diversification in the applicable asset categories;
- 4) Recommend or, for a discretionary client, select funds or accounts based on thorough due diligence of available opportunities in each asset class applicable for client investment; and
- 5) Monitor and evaluate client investments through a disciplined monitoring process.

Investing in securities, including an interest in a commingled fund or securities held through a separate account, involves risk of loss that clients should be prepared to bear. Cliffwater's investment strategy is intended for sophisticated clients who can accept a high degree of risk in their portfolio and can accept a potential loss of their entire investment. No assurances can be given that Cliffwater's investment strategy will be successful, and investment results may vary substantially over time.

Certain risks may arise as a result of employing Cliffwater's investment strategy. Clients should consider the following risks:

- Based on its internal research and analysis, Cliffwater develops various expectations for returns and risk that are used in its models to help implement its investment strategy. While Cliffwater believes that its research and analysis are reasonable and thorough, no assurances can be given that the underlying assumptions are correct.
- Client assets are generally invested in funds or accounts sponsored and managed by other investment managers. Therefore, the performance of a fund or account depends on the skill of the investment manager of the fund or account to identify and consummate suitable investments and to dispose of investments at appropriate times. Clients also face the risk of loss associated with the possibility of personnel of an investment manager misappropriating client assets.
- Depending on a client's mandate, the client's portfolio may not be diversified among a wide range of types of investments, countries, or industry sectors. Accordingly, a client's portfolio may be subject to more rapid change in value that would be the case if the client's portfolio was more diversified and if each investment manager was required to maintain a wider diversification among types of investments.
- Investments in private alternative funds are generally highly illiquid. Generally, the interests in these funds are not registered with any state or federal regulators, and no readily available markets exist for interests in these funds.

- In addition to the advisory fees charged by Cliffwater, each fund or account in which a client's assets are invested may charge a management fee and/or performance fee and may incur expenses. This layering of fees and expenses may reduce the returns generated by a client's portfolio and may, in the aggregate, be higher than fees and expenses charged by a fund or account with a single investment manager.
- When investing in certain funds, clients may not be given access to information regarding the actual investments made by the investment manager. At any given time, clients may not know the composition of investment managers' portfolios with respect to the degrees of hedged or directional positions, or the extent of concentration risk or exposure to specific markets.
- General economic conditions, such as the global economic recession that began in 2008, may limit Cliffwater's ability to identify for investment a sufficient number of attractive opportunities in each asset class and may also affect investment results.
- Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental scrutiny of the alternative fund industry in general. The SEC, Congress, state legislatures and governing bodies of non-U.S. jurisdictions could seek to impose greater regulation on the alternative fund industry. It is impossible to predict what, if any, changes in regulation applicable to a fund or investment manager, the markets in which they invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse effect on the profit potential of a fund, as well as require increased transparency as to the identity of its investors.

In addition, subject to compliance with a client's investment policies and guidelines, Cliffwater may recommend an investment manager's investment program that includes the following potential risks:

- Certain funds or accounts in which a client's assets are invested may seek to enhance returns through the use of leverage. Leverage magnifies both the favorable and unfavorable effects of price movements in the investments of a fund or account, which may subject a client's investment to a substantial risk of loss. In addition, an underlying portfolio investment may be leveraged, which will increase the exposure of the investment to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment or its industry sector.
- Certain funds or accounts in which a client's assets are invested may trade derivatives, which are financial instruments that derive their performance, at least in part, from the performance of an underlying asset (e.g., a stock, commodity or interest rate). Derivatives can be volatile and involve various types and degrees of risk, depending upon the characteristics of the particular derivative and the portfolio as a whole.
- Certain investments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the investment manager's ability to sell particular investments when necessary to meet liquidity needs or in response to a specific economic event.
- In light of the illiquid nature of certain investments, any valuation made by an investment manager of those investments may be based on the investment manager's determination as to the fair value of those investments. There can be no assurance that the values assigned by an investment manager to investments will equal or approximate the prices at which they may be sold or otherwise liquidated or disposed of from time to time.
- Non-U.S. investments can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make non-U.S. investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments.



The foregoing list of risk factors is not intended to be a complete list of all the risks involved in a decision to retain Cliffwater for investment advisory services.

Cliffwater may on occasion conduct due diligence on and recommend investments in funds whose firms may be affiliated with its clients.

#### **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Cliffwater's advisory business or the integrity of Cliffwater's management.

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

Neither Cliffwater nor any of its management persons is registered or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, or as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

In October 2013, Cliffwater formed a joint venture with Virtus to develop liquid alternative investment strategies for the retail market and to serve as a subadviser for new funds that implement these strategies. Virtus, a publicly traded company listed on the NASDAQ, is a firm that sponsors a family of mutual funds and other investment retail products. The joint venture, Cliffwater Investments LLC, is a Delaware limited liability company and is registered as an investment adviser with the Securities and Exchange Commission. Virtus is the majority owner of the joint venture.

Each of Cliffwater and Virtus provides services to the joint venture based on their expertise and capabilities. Cliffwater provides its asset allocation research, portfolio construction, manager selection, and portfolio monitoring services, which are the same services that it provides to its clients. For the joint venture, Virtus provides legal and compliance functions and business support services. For the retail funds, Virtus is responsible for advisory oversight, fund distribution, fund administration, and legal and compliance functions.

Other than the joint venture described above, neither Cliffwater nor any of its management persons has a relationship or arrangement with any related person of the type listed below that is material to its advisory business or to its clients:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker-dealer
- Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- Other investment adviser or financial planner
- Futures commission merchant, commodity pool operator, or commodity trading advisor
- Banking or thrift institution
- Accountant or accounting firm
- Lawyer or law firm
- Insurance company or agency
- Pension consultant
- Real estate broker or dealer
- Sponsor or syndicator of limited partnerships

Cliffwater does not receive fees or any other compensation from investment managers or other service providers for fund selections and recommendations made to its clients. Separately, Cliffwater receives fees for its standard advisory services provided to a small number of clients who are investment

managers which offer products and services to their investors and clients. Cliffwater will advise a client in the limited instances where an affiliation exists between a fund selected or recommended for the client's portfolio and one of Cliffwater's investment manager clients.

#### **Item 11: Codes of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Cliffwater has adopted a 'Code of Ethics and Conduct' that outlines the requirements for the ethical standards and professional conduct of Cliffwater's business by employees. The Code of Ethics and Conduct addresses conduct in the areas of independence, fair dealing, information confidentiality, and conflicts of interest that may arise from personal investing activities of employees, among others. A copy of the Code of Ethics and Conduct is available to any existing or prospective client upon request to Jonathan Rogal at (310) 448-5000 or 4640 Admiralty Way, 11<sup>th</sup> Floor, Marina del Rey, California, 90292.

Cliffwater may invest client assets, or recommend that clients invest, in registered investment companies sub-advised by Cliffwater or its joint venture described in Item 10. This may create the perception that Cliffwater is recommending an investment in order to receive both its sub-advisory fee on the portion of client assets invested in a sub-advised fund, as well as the account-level fees on these assets. Under these circumstances, Cliffwater will address this potential conflict of interest by advising clients of its affiliation to the sub-advised fund. Cliffwater may, depending on any legal requirements, waive account-level fees on the client assets invested in the fund, credit the client's account for the fees paid by the fund to Cliffwater, avoid or limit the payment of duplicative fees to Cliffwater, or retain fees both at the fund and client account level.

Cliffwater employees must conduct their personal investing activities in a manner to avoid actual or potential conflicts of interest with Cliffwater clients and Cliffwater itself. Employees may not use their position with Cliffwater, or any investment opportunities they learn of because of their position with Cliffwater, to the detriment of Cliffwater's clients. In order to monitor securities transactions, including prohibited transactions, Cliffwater has adopted procedures for employees to follow that are outlined in Cliffwater's Compliance Manual. These procedures include pre-clearance approval for personal trading transactions involving IPOs, private placements, securities issued by clients, shares of advised or sub-advised mutual funds, and other securities placed on a restricted list, as well as regular reporting and review of securities trades and holdings.

#### **Item 12: Brokerage Practices**

Portfolio securities purchased for or by clients generally will be privately offered securities, which can be purchased only from the issuer or its authorized placement agent. Thus, Cliffwater generally will not select or recommend broker-dealers to execute transactions for its clients.

Under the circumstances where Cliffwater purchases or sells publicly-offered securities for its clients, Cliffwater would seek to obtain the best execution for its clients, taking into account a variety of factors, including the ability to effect prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected (taking into account the order size and difficulty of execution), the financial strength, integrity and stability of the broker, and the competitiveness of commission rates in comparison with other brokers. Cliffwater is not required to weigh any of these factors equally.

When an investment opportunity is appropriate for one or more Cliffwater clients, portfolio investments may be allocated among those clients on a pro rata basis or such other basis as Cliffwater determines to be fair and equitable. While Cliffwater will seek to allocate the opportunity to purchase or sell securities or other investments among all clients on an equitable basis, there is no requirement of equality of treatment among all clients.

**Research and Other Soft Dollar Benefits:** Cliffwater does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions.

**Brokerage for Client Referrals:** Cliffwater does not consider, in selecting broker-dealers, whether Cliffwater or a related person receives client referrals from a broker-dealer or third party.

**Directed Brokerage:** Under certain circumstances, Cliffwater may permit a client to direct Cliffwater to execute the client's trades with a specified broker-dealer. Although Cliffwater attempts to effect these transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case Cliffwater will continue to comply with the client's directions. A client who directs Cliffwater to direct brokerage to a particular broker-dealer to effect transactions should consider whether this designation may result in certain costs or disadvantages to the client. These costs may include higher brokerage commissions (because Cliffwater may not be able to aggregate orders to reduce transaction costs) and potentially less favorable execution of transactions. The commissions charged to clients that direct Cliffwater to execute the client's trades through a specified broker-dealer may in some transactions be materially different than those of clients who do not direct the execution of their trades.

**Order Aggregation:** Cliffwater may sell the same security for more than one client account. Under these circumstances, Cliffwater may, where possible, aggregate for execution as a single transaction orders for the sale of a security for the accounts of several clients having the same brokerage firm or custodian. Cliffwater may also aggregate in the same transaction, the same securities for accounts where Cliffwater has brokerage discretion. By aggregating orders, Cliffwater may be able to obtain a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the client directs Cliffwater to utilize the services of a certain broker, Cliffwater may not be able to obtain more favorable commission rates based on an aggregated trade. In these cases, the client may be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, Cliffwater may be precluded from aggregating that client's transaction with others. In this case, the client may pay a higher commission rate or receive less favorable prices than clients who are able to participate in an aggregated order.

### **Item 13: Review of Accounts**

Cliffwater client accounts are monitored by Cliffwater's investment teams and client service professionals monthly or quarterly depending on the availability of the valuations of the investments held in the client accounts. Client service professionals review investment results in light of the investment strategy return and risk objectives, and compare these results to applicable market benchmarks and peer universes.

In addition, on-going reviews of client investments occur through Cliffwater's Investment Committee and through regular monitoring processes which typically consist of a dialog with managers to obtain updates on performance and changes in strategy or staffing, among others. Interim investment reviews can be triggered by significant market events or other significant changes affecting the managers or their funds or separate accounts.

Unless otherwise agreed to with a particular client, Cliffwater distributes to clients monthly and quarterly written reports on their investment portfolios, which typically include a quantitative and qualitative analysis of individual investments and their portfolios as a whole. Information contained in these reports may be obtained from periodic reports and financial statements of the underlying investments and/or the client's custodian. Cliffwater's clients also have access to a password-protected website, which generally provides clients with ongoing access to research, analytics, and reporting.

There are certain clients that engage Cliffwater primarily for asset allocation and portfolio construction services. For these clients, Cliffwater typically does not monitor their client accounts, provide written reports on their investment portfolios, and/or provide them with access to a password-protected website.

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

Cliffwater has no current solicitation agreements with third parties for client referrals that would result in the provision of investment advisory services by Cliffwater. Should Cliffwater enter into such an agreement in the future, it would comply with the requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, which requires that unaffiliated solicitors provide prospective clients with a disclosure statement that identifies their receipt of compensation from the adviser. Cliffwater does not receive any economic benefits from any non-clients for providing investment advice or other advisory services to Cliffwater clients.

#### **Item 15: Custody**

Cliffwater does not have custody of client assets; rather, clients retain a custodian or other third party to hold their assets. Such custodian or other third party provides its own reporting directly to clients. Clients should compare the account statement that they receive from their custodian or other third party with the reports prepared by Cliffwater on their client investment portfolio.

#### **Item 16: Investment Discretion**

For each discretionary client, Cliffwater has discretionary authority to determine the type, amount and price of securities or investments to be bought and sold on behalf of the client, including the selection of and fees paid to investment managers of the funds or separate accounts, subject to the client's investment policies and guidelines. The investment management agreement for each discretionary client generally grants Cliffwater a power of attorney to act as agent and to effect transactions on behalf of the client, although some clients may undertake their own investment administration after Cliffwater has made the investment decisions for the portfolio.

#### **Item 17: Voting Client Securities**

Cliffwater has established proxy voting policies and procedures (the "Proxy Voting Policy") designed to ensure that proxies are voted in the best interest of its clients. The Proxy Voting Policy requires Cliffwater, when voting proxies, to follow procedures designed to identify and address material conflicts of interest that may arise between its interests and those of its clients. Accordingly, prior to voting any proxy, the relevant investment professional will determine whether a material conflict of interest exists and will either resolve the conflict or refer the proxy vote to Cliffwater's Chief Compliance Officer.

In the absence of a material conflict, Cliffwater will seek to act solely in the best interests of its clients. Cliffwater determines whether and how to vote proxies on a case-by-case basis. In making such determination, Cliffwater: (i) will attempt to consider all aspects of the vote that could affect the value of the issuer or that of the relevant client, (ii) will vote in a manner that it believes is consistent with the relevant client's stated objectives, (iii) will generally vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless Cliffwater has a particular reason to vote to the contrary, and (iv) may not vote at all to the extent the outcome of the vote or action does not have a material impact on the issuer or value of its securities.

Upon the request by a client, Cliffwater will disclose to such client how it voted securities owned by such client. Clients may also contact Cliffwater via email or telephone to request a copy of its Proxy Voting Policy.

For its non-discretionary clients, Cliffwater does not have authority to vote client securities. These clients will receive their proxies, corporate actions, consents and other solicitations directly from their custodian or the relevant issuer or investment fund. These clients may contact their client service professionals with questions about a particular solicitation.

For private investment funds, Cliffwater may accept a seat on an advisory board or similar group for a fund in which one or more Cliffwater clients have invested. Cliffwater believes advisory board service benefits its clients by allowing Cliffwater greater insight into the fund and its strategies and that, in general, the interests of its clients as investors will be aligned with the interests of all investors in the fund. However, if the interests of Cliffwater's clients were to diverge from the interests of each other, the Cliffwater representative will take appropriate action to resolve the conflict which may include abstaining from a particular vote.

#### **Item 18: Financial Information**

Cliffwater does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance, and therefore has not provided a balance sheet. Cliffwater is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has Cliffwater been the subject of a bankruptcy petition in the past ten years.