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**Form ADV Part 2A Brochure**  
March 29, 2022

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**

No material substantive changes were made to the information provided in the annual update of Cliffwater's Form ADV Part 2A, dated April 28, 2021.

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#### **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, financial institutions and pooled investment vehicles) and high net worth individuals. Cliffwater assists clients globally in their allocations to alternative investments, including private equity, private debt, hedge funds, real estate, real assets, and liquid alternative investments. Cliffwater works with clients on their alternative investment portfolios in a non-discretionary or discretionary capacity. Cliffwater may also provide investment advice for some clients on a broad range of traditional strategies, primarily in connection with its alternative investment services.

Cliffwater 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 invest in a variety of securities (including U.S. and non-U.S. equity, fixed income, and derivatives) and/or other investments. Cliffwater also advises clients regarding other types of investments, including middle market lending, private equity and real assets investments.

Cliffwater tailors its advisory services to the individual needs of its clients based on each client's specific circumstances and the services the client 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., private equity 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 the investment adviser to the Cliffwater Corporate Lending Fund (the "CCLF") and the Cliffwater Enhanced Lending Fund (the "CELf" and together with the CCLF, the "Cliffwater Funds"). The Cliffwater Funds are both closed-end management investment companies structured as an interval funds and registered under the Investment Company Act of 1940, as amended (the "Investment Company Act").

Cliffwater is 100% owned by its active employees. Stephen L. Nesbitt, Chief Executive Officer, owns 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, Cliffwater seeks 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 desired 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, 2021<sup>1</sup> are approximately:

Non-discretionary advisory services <sup>2</sup> :	\$ 94,830,248,872
Discretionary advisory services <sup>3</sup> :	\$ 9,390,262,748

<sup>1</sup> Includes assets of Cliffwater clients as of the date hereof. Some information regarding private assets under advisement is provided as of September 30, 2021 because some year-end numbers are not available as of the date of this brochure. All other information relating to assets under advisement is provided as of December 31, 2021.

<sup>2</sup> Includes non-discretionary client invested assets where Cliffwater provides a variety of advisory services including asset allocation, investment 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. Assets of clients for which Cliffwater is not responsible for ongoing reporting and monitoring are excluded since information about their assets is not available to Cliffwater.

<sup>3</sup> Includes discretionary client invested assets but excludes unfunded commitments which are included in regulatory assets under management in Cliffwater's Form ADV Part 1.

Cliffwater may be engaged by certain clients to conduct due diligence on specified investment opportunities. In these instances, Cliffwater provides investment and/or operations due diligence reports and, in connection with these services, may provide additional proprietary and topical research reports.

Cliffwater publishes three indices, the Cliffwater BDC Index (the "CWBDC"), the Cliffwater Direct Lending Index (the "CDLI") and the CDLI: Senior Only (the "CDLI-S"). The CWBDC measures the performance of lending-oriented, exchange-traded business development companies ("BDCs"), subject to certain eligibility criteria regarding portfolio composition, market capitalization, and dividend history. The CWBDC is a capitalization-weighted index that is calculated on a daily basis using publicly-available closing share prices and reported dividend payouts. The CDLI seeks to measure the unlevered, gross of fee performance of U.S. middle market corporate loans, as represented by the asset-weighted performance of the underlying assets of BDCs, including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. The CDLI-S follows the same construction methodology as CDLI but only includes loans held by BDCs that have an investment style that Cliffwater has determined focuses on senior secured loans. In connection with the publication of these indices, Cliffwater operates [www.BDCs.com](http://www.BDCs.com) and [www.CliffwaterDirectLendingIndex.com](http://www.CliffwaterDirectLendingIndex.com). The information on these websites, including information regarding the indices, is intended for informational purposes only and should not be construed as an offering of advisory services.

## Item 5: Fees and Compensation

### Compensation for Advisory Services:

Cliffwater advisory fees for separate account clients are billed monthly or quarterly in arrears for services rendered, as negotiated with the applicable client. Cliffwater does not have a standard fee schedule. Fees for separate account clients are individually 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. Fees for Cliffwater's advisory services are structured either as a fixed fee or as a percentage of assets under advisement or management, as applicable. In addition, Cliffwater may provide

services to clients for special projects. Fees for these services are negotiated individually based on the scope of the project and are separately billed to the client.

Fees for pooled investment vehicles that Cliffwater manages are typically set up on a fund-by-fund basis, are disclosed in the offering documents, and set out in the organization documents or advisory agreements of those funds or in other agreements with the applicable investors.

#### Deduction of Fees

Cliffwater typically bills its separate account clients for fees. These clients can, however, elect to have their fees deducted. Cliffwater deducts its fees from the assets of the Cliffwater Funds, and certain separate account clients. These fees are typically accrued daily and payable monthly in arrears.

#### Other Fees and Expenses

Other than travel expenses which may be negotiated as part of the advisory fee arrangement, Cliffwater does not charge any other types of fees or expenses in connection with its advisory services to its separate account clients.

In addition to the advisory fees paid to Cliffwater, separate account clients may incur certain fees and expenses imposed by third parties, such as investment managers, custodians, administrators, and broker-dealers. These additional fees and expenses may include professional fees and expenses (e.g., legal and accounting fees and expenses), administrator and custodian fees and expenses, brokerage commissions, and other transaction costs. Further, to the extent that a client's assets are invested in a fund or separate account managed by an investment manager, clients will bear their share of the fund's or account's fees and expenses, which may include management fees, performance-based fees, legal expenses, accounting expenses, audit and tax preparation expenses, organizational expenses, administrator and custodian fees and expenses, brokerage commissions, and other transaction costs. See Item 12.

The funds that Cliffwater manages will generally pay all of their expenses, or reimburse Cliffwater or its affiliates to the extent they have previously paid such expenses on behalf of the fund. The expenses of the funds include, but are not limited to, any fees and expenses in connection with the organization of the funds and the offering and issuance of their shares or interests, including reasonable travel, legal and accounting fees, and costs associated with regulatory filings and negotiations; all fees and expenses reasonably incurred in connection with the operation of the funds; all fees and expenses directly related to portfolio transactions and positions for the funds' accounts such as direct and indirect expenses associated with their investments, and enforcing the funds' rights in respect of such investments; quotation or valuation expenses; Cliffwater's management fee, the portfolio management fees paid to sub-advisers (if applicable), fees to managers of fund investments, administration fees, servicing and other similar fees and expenses; out-of-pocket costs directly relating to investment transactions that are not consummated; other investment-related expenses, such as brokerage commissions, dealer spreads and travel; transfer fees; fees on any borrowings or any expenses relating to leverage or indebtedness (including any interest thereon); professional fees; out-of-pocket costs directly relating to investment transactions that are not consummated; other expenses incurred in placing orders for the purchase and sale of securities and other investment instruments; reasonable research and due diligence expenses relating to the identification and selection of investments (including expenses of news and quotation subscriptions, market or industry research, consultants or experts); private placement fees; investment-related software and databases relating thereto; fees and expenses of outside legal counsel (including fees and expenses associated with the review of documentation for prospective investments by the funds), including foreign legal counsel; litigation costs and expenses, judgments and settlements directly related to the preservation of the value of investments; reasonable legal, third party consultant, and investment-related software and databases expenses incurred in relation to entering into, the reviewing, reporting, monitoring, confirming and/or administration of the investments (including expenses of engaging third party valuation consultants and agents and expenses of loan administration with non-affiliates) and other matters (including online systems used to obtain pricing and trading information and systems used for the allocation of investments); accounting, auditing, compliance and tax preparation expenses; fees and expenses in

connection with repurchase offers and any repurchases or redemptions of shares; taxes and governmental fees (including tax preparation fees); fees and expenses of any custodian, subcustodian, transfer agent, and registrar, and any other agent of the funds; all costs and charges for equipment or services used in communicating information regarding the funds' transactions with any custodian or other agent engaged by the them; bank services fees; costs and expenses relating to any amendment of their organizational documents; any fees and expenses in connection with seeking any exemptive relief (or amendments thereto) from the SEC; expenses of preparing, amending, printing, and distributing the prospectus and any other sales material (and any supplements or amendments thereto), reports, notices, other communications to the fund's shareholders or interestholders, and proxy materials; all taxes, fees or other governmental charges and expenses of preparing, printing, and filing reports and other documents with government agencies; expenses incurred by the sub-advisers (if applicable) in responding to a legal, administrative, judicial or regulatory action, claim, or suit relating to the funds; expenses of the funds' shareholders' meetings, including the solicitation of proxies in connection therewith; expenses of corporate data processing and related services; shareholder recordkeeping and account services, fees, and disbursements; expenses relating to investor and public relations; fees and expenses of the members of the funds' board or other governing body who are not employees of Cliffwater or its affiliates; insurance premiums; ad hoc expenses incurred at the specific request of Cliffwater or the board; certain extraordinary expenses as described in the offering documents; expenses associated with entering into agreements for borrowing facilities or hedging transactions; and all costs and expenses incurred as a result of dissolution, winding-up and termination of the funds.

#### Fees Paid in Advance

Clients do not currently pay fees in advance.

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.

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

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 serves as the investment adviser to corporate and public pension plans, endowments and foundations, financial institutions, investment advisers, other business entities, trusts, family offices, high net worth individuals and pooled investment vehicles.

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

#### Methods of Analysis and Investment Strategies

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 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 private equity, private debt, hedge funds, real estate, real assets, and liquid alternative investments, and traditional investment strategies. The evaluation relies on information gathered through public sources, information provided by the manager organizations, interviews with personnel within and outside of those organizations, and 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 strategies depend on the specific investment mandate for which clients have retained Cliffwater. 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.

Cliffwater advises its clients regarding the particular types of investments mentioned in Item 4 above.

#### Material Risks

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 strategies are 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 strategies will be successful, and investment results may vary substantially over time.

Certain risks may arise in connection with Cliffwater's investment strategies. 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 strategies. 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 often invested in funds or accounts sponsored and managed by other investment managers. Therefore, the performance of a fund or account can depend 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 than would be the case if the client's portfolio were more diversified and if each investment manager were required to maintain a wider diversification among types of investments.



- Investments in private alternative funds are typically 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, in the aggregate, may be higher than the 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.
- Multiple clients may hold or acquire positions directly or indirectly in the securities of the same companies. Such investments and transactions may raise potential conflicts of interest for our clients, particularly if different clients are invested in different classes or types of securities or investments of the same company. In that regard, actions may be taken by some clients, either at their own direction or at Cliffwater's direction, that may be inconsistent, if not adverse to other clients, including, but not limited to, interests in different parts of a company's capital structure during a restructuring, bankruptcy or other insolvency proceeding or similar matter. When our clients are invested in different parts of a company's capital structure, their interests may diverge in the case of financial distress. In a bankruptcy proceeding, a client's interests may be subordinated or otherwise adversely affected due to another client's involvement and actions relating to their investment. In addition, when one client is a creditor of a company in which another client holds more junior securities, actions may be taken, either at the client's direction or at Cliffwater's direction with respect to their rights as a creditor that may be adverse to the interests of the other clients.
- Cliffwater or an investment manager may be prone to operational and information security risks resulting from cyber-attacks, which include stealing or corrupting data maintained online or digitally, the unauthorized release of confidential information, and causing operational disruption. Cyber-attacks may interfere with the processing of transactions, cause the release of confidential information, and cause reputational damage. While business continuity plans and systems are designed to prevent such cyber-attacks, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified.
- General economic conditions 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.
- 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.
- The outbreak of the novel coronavirus (COVID-19) in many countries adversely impacted global commercial activity, and contributed to volatility in financial markets. Any further economic impact could adversely affect the performance of a client's investments. The novel coronavirus (COVID-19) continues to present uncertainty and risk with respect to overall performance and financial results. In addition, the resulting financial and economic market uncertainty may adversely affect the valuations of investments recommended to clients as well as those investments made by the firm on behalf of its clients.

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 pooled investment vehicles managed by Cliffwater may incur leverage by "borrowing," including making borrowings through one or more special purpose vehicles ("SPVs") that are wholly-owned subsidiaries of the applicable fund. Certain fund investments may be held by these SPVs. The use of leverage increases both risk of loss and profit potential. The interests of persons with whom the funds (or SPVs that are wholly-owned subsidiaries of the funds) enter into leverage arrangements will not necessarily be aligned with the interests of the shareholders or interestholders and such persons will have claims on the funds' assets that are senior to those of the funds' shareholders or interestholders. In addition to the risks created by the funds' use of leverage, a fund that uses leverage is subject to the additional risk that it would be unable to timely, or at all, obtain leverage borrowing. The funds that use leverage might also be required to de-leverage, selling securities at a potentially inopportune time and incurring tax consequences. Further, the funds' ability to generate income from the use of leverage would be adversely affected.
- **Cybersecurity Risk:** Cybersecurity refers to the combination of technologies, processes and procedures established to protect information technology systems and data from unauthorized access, attack or damage. Cliffwater, pooled investment vehicles managed by Cliffwater and its affiliates, and third-party service providers are subject to cybersecurity risks. Cybersecurity risks have significantly increased in recent years and the funds could suffer losses related thereto in the future. Third-party service providers' computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize confidential and other information, including nonpublic personal information and sensitive business data, processed and stored in, and transmitted through, computer systems and networks, or otherwise cause interruptions or malfunctions in the funds' operations or the operations of their respective affiliates and third-party service

providers. This could result in significant losses, reputational damage, litigation, regulatory fines or penalties, or otherwise adversely affect the funds' business, financial condition or results of operations. Privacy and information security laws and regulation changes, and compliance with those changes, may result in cost increases due to system changes and the development of new administrative processes. In addition, the funds may be required to expend significant additional resources to modify their protective measures and to investigate and remediate vulnerabilities or other exposures arising from operational and security risks.

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 or to invest in pooled investment vehicles managed by Cliffwater.

Cliffwater may on occasion conduct due diligence on and recommend investments in funds whose firms may be affiliated with its clients. See Item 10.

#### **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**

##### Broker-Dealer Affiliations

Certain Cliffwater employees are registered representatives of Foreside Fund Services, LLC, an unaffiliated broker-dealer registered with the SEC.

##### Commodity-Related Affiliations

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

##### Other Financial Industry Affiliations

Cliffwater is the investment adviser to the Cliffwater Funds.

Other than Cliffwater's serving as the investment adviser to the Cliffwater Funds; the relationships the CCLF's sub-advisers have with the CCLF described in its prospectus; and the arrangements with Foreside Fund Services, LLC 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

#### Investment Advisers

Cliffwater does not receive fees or any other compensation from investment advisers or other service providers for fund selections and recommendations made to its clients.

Cliffwater has a small number of clients who are investment advisers or who are affiliated with investment advisers. Cliffwater provides advisory services to these clients similar to the advisory services it provides to its other clients and, accordingly, receives standard advisory fees from these investment adviser or investment adviser-affiliated clients. Some of these clients or their affiliates offer products and services to their own clients or to investors in funds that they manage. In the limited circumstances in which an affiliation exists between a fund selected or recommended for a client's portfolio and one of Cliffwater's investment adviser or investment adviser-affiliated clients, Cliffwater will advise the client of the affiliation and will endeavor to ensure that any such recommendation or selection is made in the best interests of the client.

In addition, Cliffwater may have a commercial relationship with an investment manager who advises on a fund selected or recommended for a client's portfolio. For example, Cliffwater has engaged sub-advisers for the CCLF, and it may engage such a manager to advise or sub-advise on one or more pooled investment vehicles that Cliffwater may sponsor and/or advise in the future. In these limited circumstances, Cliffwater will endeavor to ensure that any such recommendation or selection is made in the best interests of the client. For the avoidance of doubt, as stated above, Cliffwater does not receive fees or any other compensation from investment advisers or other service providers for fund selections and recommendations made to its clients.

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

Cliffwater has adopted a "Code of Ethics" that sets forth the standards of business conduct that Cliffwater requires of all its employees to comply with applicable federal securities laws and establishes policies and procedures reasonably designed to prevent the violation of such laws. The Code of Ethics includes policies and procedures relating to fiduciary obligations, protection of material, non-public and other confidential information, personal securities transactions, gifts and entertainment, interactions with foreign officials, and outside business activities. All Cliffwater employees are required to acknowledge that they have read, understood and complied with the Code of Ethics on an annual basis. Cliffwater will provide a copy of Cliffwater's Code of Ethics to any existing or prospective client upon request.

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 and/or Cliffwater itself. In order to monitor securities transactions, including prohibited transactions, Cliffwater has adopted procedures for employees to follow that are outlined in Cliffwater's Code of Ethics. These procedures include pre-clearance approval for personal trading transactions involving IPOs, private placements, securities issued by clients, shares of advised or sub-advised open-end or closed-end 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-traded securities for its clients, Cliffwater seeks to obtain best execution for its clients. In selecting broker-dealers to purchase and sell publicly-traded securities for clients, Cliffwater considers a number 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, Cliffwater seeks to ensure that such opportunity is allocated among all clients, both funds and separate accounts and non-discretionary and discretionary, on a pro rata basis or such other basis as Cliffwater determines to be fair and equitable. Cliffwater must not unfairly favor some client accounts over other client accounts. Cliffwater will employ a rational and impartial policy for allocating investment opportunities to all clients over a period of time.

**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:** Consistent with its best execution obligations, when Cliffwater purchases or sells the same publicly-traded security for more than one client account, it will generally seek to aggregate such orders for execution as a single transaction, if possible. Cliffwater may aggregate in the same transaction orders for the accounts of several clients (i) having the same brokerage firm or custodian or (ii) 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. Such orders, upon execution, will generally be allocated to specific accounts on a pro rata average price basis. Although Cliffwater may only aggregate client orders when doing so would result in a better overall price for client trades, order aggregation may operate to a particular account's disadvantage in some cases. In cases where (i) the client directs Cliffwater to utilize the services of a certain broker or (ii) trading or investment restrictions are placed on a client's account, Cliffwater may be precluded from aggregating that client's transaction with others. In these cases, the client may pay a higher commission rate or receive less favorable prices than clients who are able to participate in an aggregated order.

Cliffwater may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities by virtue of its investment management activities, and such restrictions may result in an account being unable to take certain actions in its best interest (which may include not being able to initiate a transaction that it otherwise might have initiated and not being able to sell an investment that it otherwise might have sold). Additionally, Cliffwater may in some instances seek to avoid the receipt of material non-public information about the issuers of loans and other investments (including the issuer itself), and Cliffwater's decision not to receive such material non-public information may

disadvantage certain accounts. An account may be subject to these risks without receiving the benefits of the other Cliffwater accounts giving rise to these restrictions.

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

Cliffwater client accounts are monitored by Cliffwater's investment teams and portfolio advisory professionals monthly or quarterly or more frequently depending on the availability of the valuations of the investments held in the client accounts. Portfolio advisory 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 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/or 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 physical 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.

In certain instances, Cliffwater is deemed to have custody of the assets of clients due to its ability to withdraw funds on behalf of its clients, including to pay fees or cause funds to be sent to third parties. In such instances, Cliffwater complies with the SEC's custody rule by obtaining an independent examination (also known as a surprise audit) performed by an independent public accounting firm.

#### **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**

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 portfolio advisory professionals with questions about a particular solicitation.

For its discretionary clients, Cliffwater generally takes responsibility for ensuring that proxies solicited by, or with respect to, the issuers of securities held in the client's investment account, and corporate actions and consents sought by such issuers (including tender offers and rights offerings), are voted.

Cliffwater will not put its own interests ahead of those of any of its clients and will seek to resolve any possible conflicts between its interests and those of the client in favor of the client. When voting proxies, Cliffwater follows 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, Cliffwater will determine whether a material conflict of interest exists. A conflict of interest will be considered material to the extent that it is determined that the conflict has the potential to influence Cliffwater's decision making in voting the proxy. If Cliffwater determines that there is a material conflict of interest related to the proxy solicitation, Cliffwater will take appropriate action to resolve the conflict, which may include voting for or against any particular matter or abstaining.

Cliffwater will seek to act solely in the best interests of its clients when exercising its voting authority. 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) generally will 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 policies and procedures.

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 (including in situations where a client has a seat on an advisory board), the Cliffwater representative will take appropriate action to resolve the conflict which may include voting for or against any particular matter or abstaining.

#### **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.