Ten Things To Know About Cliffwater

March 26, 2026

1. ALTERNATIVE INVESTMENTS FOCUS

Cliffwater was founded in 2004 to provide research and advice to large institutional investors and wealth on alternative investments, including private equity, private debt, real estate, infrastructure, and hedge funds. Founding partners, including today's CEO, had extensive previous alternative investment experience.

2. INVESTMENT THESIS

Cliffwater was founded on the investment thesis that alternative investments, properly selected and constructed, can materially improve the performance of the traditional 60/40 stock/bond mix.

3. INVESTMENT STRATEGY

Cliffwater believes that success in alternative investments requires a steady buy & hold approach in a very diversified portfolio populated by assets underwritten by top-tier managers. Cliffwater believes that alternatives, such as private equity and private debt, have an embedded "illiquidity premium" of 2-3% per year that requires diversification and a consistent allocation to realize akin to index-like investing. Further, Cliffwater believes that outcomes can be enhanced by an additional 1-2% per year by engaging top-tier managers identified through a rigorous due diligence process.

4. STRONG PERFORMANCE

Cliffwater's performance across alternative investments has more-than proven its investment thesis. Cliffwater's private equity composite net-of-fee return equals 13.66%, annualized, from its inception exactly 20 years ago through September 2025, outperforming public stocks by 3.50% per year. Cliffwater's private debt composite net-of-fee return equals 10.13%, annualized, from its inception 19 years ago through September 2025, outperforming public bonds by 8.75% per year.

5. AN ALLOCATOR, NOT A MANAGER, NOT A FUND-OF-FUNDS

Private equity and private debt managers (aka general partners or GPs) follow a process involving deal sourcing, underwriting, and portfolio construction presented to investors through a pooled investment vehicle which it manages. Cliffwater's research shows that an investor selecting one or several manager funds can result in a seriously suboptimal solution for both return and risk. Cliffwater solves this potential problem by (1) sourcing the best managers through its due diligence process, (2) creating bespoke fund structures and co-investments that best serve investors and managers, and (3) allocating capital across multiple managers to achieve the lowest risk through diversification and lower fees through scaled pricing. This is the "allocator" role, one similar to that played by large pensions (for their retirees), insurance companies (for their annuitants), and sovereign wealth funds (for their citizens). Cliffwater plays the same role for its investors, for which it has been recognized by Private Debt Investor as "LP/Investor of the Year: Americas" for three consecutive years. Unlike other allocators though, Cliffwater has developed expertise in managing low-fee "evergreen" funds rather than cumbersome drawdown funds or very illiquid fund-of-funds, both of which come with higher fees.

6. STREAMLINED EXECUTION

Cliffwater executes its asset management business through a single lens, the interval fund, a vehicle that provides investors in private assets with significant protection, including regulatory scrutiny, independent board oversight, separate custody, disclosure of portfolio holdings and financing, investor liquidity, and fee review. Importantly, with a single investment vehicle, Cliffwater avoids potentially diluting or conflicting allocation decisions that could be present when multiple vehicles are present such as drawdown funds, BDCs, and separately managed vehicles.

7. LARGE AND EXPERIENCED PROFESSIONAL STAFF

Cliffwater today manages $50 billion across its alternatives platform and has committed over $130 billion to private alternatives since its 2004 start. Its 216 employees are located in New York, Chicago, Los Angeles, and Newport Beach. The firm is led by very experienced professionals, 46 with over 20 years' industry experience and 115 with over 10 years' industry experience.

8. STRONG INSTITUTIONAL BACKING

Cliffwater is owned and controlled by its employees but has raised significant minority investments from some of the strongest names in the institutional market, including TA Associates, TPG, and the Singaporean sovereign wealth fund Temasek. Additionally, Cliffwater has attracted many of the largest banks and insurance companies to provide financing to its funds, including JPMorgan, PNC, and MassMutual. All of these institutions have conducted extensive, deep private-level due diligence and stress testing that have contributed to their confidence and conviction in the funds and company.

9. ALIGNMENT OF INTEREST

First, Cliffwater employees "eat their own cooking" having invested over $300 million of their own assets across Cliffwater's funds, thereby presenting a strong alignment of interest with Fund investors. Secondly, fees charged by Cliffwater for managing its Funds have no incentive fees, only a competitively low management fee. Third, Cliffwater does not charge its management fee on financed (levered) assets, thereby giving no fee incentive to lever assets. Fourth, Cliffwater uses its scale to negotiate with managers the most advantageous fees. And finally, Cliffwater is controlled by its employees who have significant ownership representation (aka "skin in the game"), thereby exposing those managing investor assets with significant equity downside so as to encourage proper control of investor risk.

10. RESEARCH DRIVEN

Cliffwater prides itself on its groundbreaking investment research, led by its CEO, which underpins everything it does across the alternative asset classes. Cliffwater brought prominence to private debt by creating the first index tracking the private debt market, the Cliffwater Direct Lending Index (CDLI), and educating investors on its theoretical and empirical underpinnings in two published books, the most recent being Private Debt: Yield, Safety and the Emergence of Alternative Lending (Wiley & Sons, ©2023). Cliffwater research includes extensive and innovative research on performance, valuation, and liquidity across alternative investments.

Stephen Nesbitt, CEO

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The information in this report is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. Note that these asset class and strategy assumptions are passive only, and they do not consider the impact of active management. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve.

Statements that are nonfactual in nature, including opinions, projections and estimates, assume certain economic conditions and industry developments and constitute only current opinions that are subject to change without notice.

Further, all information, including opinions and facts expressed herein are current as of the date appearing in this report and is subject to change without notice. Unless otherwise indicated, dates indicated by the name of a month and a year are end of month.

There can be no assurance that any expected rates of return or risk will be achieved. Expected rates of return and risk 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 rates of return may be based upon assumptions regarding future events and conditions that prove to be inaccurate.

The "Cliffwater Private Assets Composites" are comprised of primary and secondary investments by Cliffwater's clients, both discretionary and non-discretionary, in all funds or accounts recommended by Cliffwater that use the strategies indicated. Information is presented by strategy and all of the strategies used by the client accounts on which Cliffwater advises on private assets as of the date indicated are shown. Strategy categorizations of funds or accounts included in the composites 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 Cliffwater Private Assets Composites 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.

The internal rates of return (IRRs) of the Cliffwater Private Assets Composites are calculated using the combined Cliffwater client, both discretionary and non-discretionary, daily cash flows, declared but undistributed dividends, and residual values for the investments included in the relevant composite. The residual values used in the composites are the valuations reported by the sponsor and/or administrator of the fund or account. The IRRs rely 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 IRRs are in, or have been converted to, U.S. dollars. The IRRs are calculated from inception (i.e., the date that a Cliffwater client first invested in the relevant strategy) through the date indicated. The inception dates for the strategies are as follows: Total Private Equity, September 28, 2005; Buyouts, December 19, 2005; Venture Capital, July 10, 2006; Distressed, September 28, 2005; Enhanced Credit, August 11, 2006; Real Estate, January 24, 2006; Infrastructure: October 18, 2012; Energy, November 15, 2005; and Agriculture & Timber, December 2, 2014. The IRRs are 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. Past performance is not indicative of future returns, which may vary. Future returns are not guaranteed, and a loss of principal may occur.

The Cliffwater Direct Lending Composite is comprised of primary investments by Cliffwater's clients, both discretionary and non-discretionary, in all funds or accounts recommended by Cliffwater that use direct lending strategies and that Cliffwater designates as a direct lending investment. Certain investments by Cliffwater's clients are excluded from the 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. 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. Strategy categorizations of funds or accounts included in the 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.

The internal rate of return (IRR) of the Cliffwater Direct Lending Composite is calculated using the combined Cliffwater client, both discretionary and non-discretionary, daily cash flows, declared but undistributed dividends, and residual values for the investments included in the composite. The residual values used in the composite are the valuations reported by the sponsor and/or administrator of the fund or account. 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 IRR is calculated from inception (October 28, 2011) 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 Cliffwater Direct Lending Composite returns have been benchmarked against the Morningstar LSTA U.S. Leveraged Loan Index. The index IRR is calculated as an IRR reflecting how a portfolio would have performed from inception of the Cliffwater Direct Lending Composite through the date indicated had matching cash flows of the investments comprising the 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.

The Cliffwater Private Equity Composites are comprised of primary and secondary investments by Cliffwater's clients, both discretionary and non-discretionary, in all funds or accounts recommended by Cliffwater that use the strategies indicated. Information is presented by strategy and all of the strategies used by the client accounts on which Cliffwater advises on private assets as of the date indicated are shown. Strategy categorizations of funds or accounts included in the composites 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 Cliffwater Private Assets Composites 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. Data shown is since inception (September 28, 2005) through the date indicated.

"LP/Investor of the Year: Americas". *Awarded by Private Debt Investor. 2023 award was awarded on March 1, 2024, covering the 2023 calendar year. 2024 award was awarded on March 3, 2025, covering the 2024 calendar year. 2025 award awarded on March 2, 2026, covering the 2025 year. Cliffwater LLC has provided compensation to PEI Group for the ability to communicate the results of these awards. The awards described above may not be representative of any one client's experience with Cliffwater LLC and should not be viewed as indicative of future performance. The awards mentioned above were provided by Private Debt Investor, a publication addressing private credit markets, and covered the 2023, 2024, and 2025 calendar years only. For 2023, the editorial team at Private Debt Investor compiled and nominated shortlists for its awards based on submissions from the industry and editorial team expertise. For 2024 and 2025, the editorial team at Private Debt Investor choose the winners of its awards based on submissions from the industry and editorial team expertise. To be considered for the shortlist, submissions must be made by a hard deadline. Panels and sponsorships do not influence inclusion on shortlists. In addition, their selection to receive the awards and/or their rankings may have been based on a limited universe of participants, and therefore there can be no assurance that a different sampling of participants might not have achieved different results.*

The MSCI ACWI Index (All Country World Index) is a premier benchmark for global equity performance, tracking over 2,500 large and mid-cap stocks across 23 developed and 24 emerging markets. The Bloomberg U.S. Aggregate Bond Index ("the Agg") is a flagship benchmark measuring the performance of the U.S. investment-grade, fixed-rate, taxable bond market, covering Treasuries, government-related securities, corporate bonds, MBS, ABS, and CMBS.

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.

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