

# Cliffwater's corporate lending fund surpasses \$20bn

- Interval fund seeks to provide alternative to fixed income
- Invests in senior direct lending through funds, SMAs, co-invests
- CEO Stephen Nesbitt open to emerging GPs run by highly pedigreed talent

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Cliffwater has hit a \$20bn milestone for its Corporate Lending Fund (CCLFX), five years since launching the '40 Act interval vehicle in 2019.

CCLFX has \$21.3bn in AuM, and offers diversified exposure to direct lending investments. Since inception, the vehicle has provided an annualized return of 9.6%.

Speaking to With Intelligence, Cliffwater CEO Stephen Nesbitt, the lead portfolio manager on the fund, said the vehicle is predominantly an allocator, and is best described as a quasi-index fund of private debt.

“We work with managers we think are the best originators,” Nesbitt explained. “We’re a strong believer in diversification, and want to capture yield by partnering with managers that have demonstrated minimum levels of defaults. It’s really that simple.”

Nesbitt believes direct lending as an asset class is very efficient in terms of yield, and likes the overall characteristics of the market. The fund leans more towards senior lending, in particular.

“If you look at deal origination at the margin, we’re going to participate in that, particularly when it comes to the top 20 to 40 underwriters out there,” Nesbitt said.

“We reflect at the margin of what deal flow is coming.”

## Cliffwater Corporate Lending Fund

### Private Investment Vehicle Partnerships

Security	AuM (\$m)	Type
Barings Private Credit Corporation	900	Non-listed BDC
Raven Senior Loan Fund LLC	467	Private CLO
Varagon Structured Note Issuer I	203	Private CLO
Golub Capital Private Credit Fund	200	Non-listed BDC
KKR Institutional Middle Market Fund	180	Investment Partnership
Ares Strategic Income Fund	100	Non-listed BDC
Antares Senior Loan Parallel Feeder Fund II	81	Investment Partnership

Source: Cliffwater Corporate Lending Fund Annual Report

Data as of March 31, 2024

Some of the fund’s investment partners include managers such [Ares](#), [BlackRock](#), [HPS](#), [Blue Owl](#), and [Benefit Street](#), among others.

When engaging with a manager, Cliffwater could take an LP interest in a fund, set up an SMA, or work on co-investments. Funds stakes will usually be taken as a seed investor, or by sizing out a first close, and SMAs can be in the region of \$1bn to \$2bn.

The firm is also open to working with emerging managers, particularly with a strong pedigree at another firm. For example, CCLFX has committed capital to [26North](#), which was launched in 2022 by Apollo co-founder [Josh Harris](#).

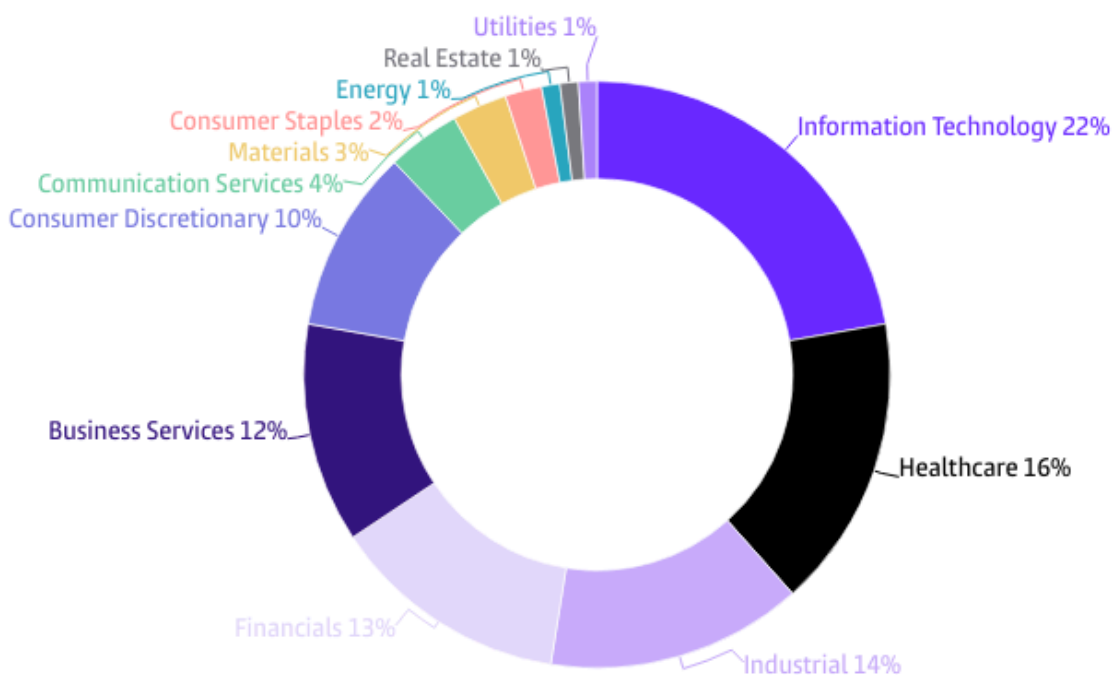
“The big ones are big because they have been successful, but we are always looking for new managers, particularly those where there is legacy talent from another firm,” Nesbitt said.

“For us, if we are looking for a \$2bn relationship, it’s challenging to do that with new launches, but we find start-ups where someone has left a big firm, or has partnered with another.”

Cliffwater typically works with generalist managers with broad underwriting capabilities. The fund is diversified across sectors such as IT, healthcare, industrial, financials, business services, and consumer discretionary, among others.

## Cliffwater Corporate Lending Fund Portfolio Industry Weightings

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Source: [CCLFX Fact Page](#)  
Data as of July 31, 2024

Through the fund, the Los Angeles-based firm wanted to create a fixed income substitute, a product with low risk and minimum downside.

According to Nesbitt, the fund has resonated with investors, with net assets growing from \$11.1bn in March 2023 to \$17.4bn in March 2024, and \$21.3bn as of July 2024.

“Over the five-year history of the fund, we have been successful in getting people to understand the private debt asset class and get comfortable with the interval fund structure,” Nesbitt said.

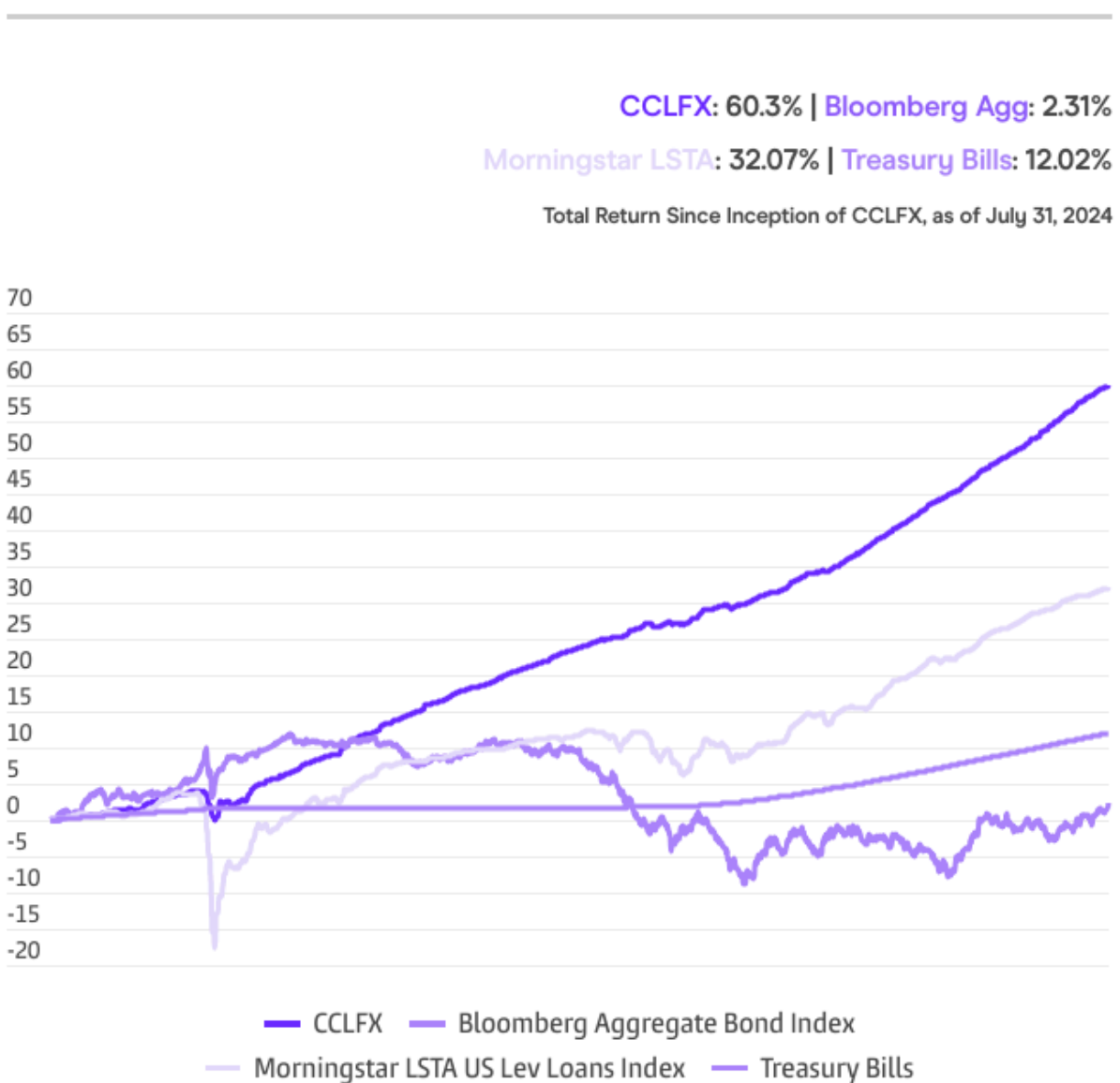
CCLFX, which offers daily entry into the fund alongside quarterly liquidity, is distributed through a network of 700 RIAs. The fund also counts select institutional LPs as investors.

“People also know us now; they’re getting familiar with the Cliffwater name. It’s not as high a hurdle to get a new investor or RIA on board.”

Following the success of CCLFX, the '40 Act structure has become increasingly popular. With Intelligence has tracked more than 10 private credit-focused interval funds coming to market in 2024, including from the likes of Blackstone, Russell Investments, StepStone, among others.

## Cliffwater Corporate Lending Fund

### Historical Performance



Source: [Cliffwater](#)

Data through July 31, 2024

### Outlook

According to Nesbitt, the current market environment has been a goldilocks period for the fund with high floating interest rates from the US Federal Reserve, which has been a big positive. But with rate cuts on the horizon, Nesbitt expects it to impact the yield of the fund.

“We have been returning a yield of 11-12%, so looking out five years, it’s closer to 9-10%,” Nesbitt said.

“It also comes down to losses and defaults, and whether we have a recession or not. So far losses have been near zero, but in a bad recession it could be one or two points, so we tell investors to expect half a percent loss in that scenario.”

Elsewhere, Cliffwater also has an Enhanced Lending Fund (CELFX) which has \$3.6bn in AuM, and accesses the full spectrum of private credit across 13 strategies.

The manager also has the Cascade Private Capital Fund (CPEFX), which it took over from Barings.

The private equity focused interval fund consists of a portfolio of diversified private equity assets, and aims to generate long term capital appreciation through investing in private markets securities. The vehicle is approximately \$1.1bn in AuM.

“We can replace public equity with our Cascade Private Capital Fund, and fixed income with our Corporate Lending Fund. We could do something in between with infrastructure or real assets, but we’re not too sure yet.”

Cliffwater has \$112bn in AuM and AuA.