

Direct Lending Insights

The Potential Impact on Portfolio Income



A traditional view of a hypothetical investment portfolio is typically 60% equity in the form of common stocks and 40% fixed income in the form of corporate bonds and U.S. treasuries. Direct lending assets can potentially offer investors additional yield in exchange for the risk of investing their capital in less liquid assets. Because of this yield premium, a 10% reallocation to Direct Lending can potentially increase annual portfolio income by 30%.

Traditional 60/40 Portfolio

	Allocation	Current Yield
Equity	60%	1.7%
Fixed Income	40%	4.8%
Weighted Average Yield¹		2.9%

Vs.

Reallocation with 10% Direct Lending

	Allocation	Current Yield
Equity	55%	1.7%
Fixed Income	35%	4.8%
Direct Lending	10%	9.5%
Weighted Average Yield¹		3.5%

To learn more about the potential benefits of a direct lending allocation, please contact your financial advisor.

Data as of September 30, 2022. **Past performance not indicative of future results.** There can be no assurance that historical trends will continue during the life of any fund. **1. Weighted Average Yield** represents the yield generated by each hypothetical portfolio, accounting for the portion of each portfolio allocated to each asset. Equity is represented by the S&P 500 Total Return Index, Source: Bloomberg; Fixed Income is represented by the Bloomberg Barclays US Aggregate Total Return Index, Source: Bloomberg; Direct Lending is represented by the Cliffwater Direct Lending Index, Source: Cliffwater.

Important Information

Unless otherwise indicated, the Report Date referenced herein is September 30, 2022.

Past performance is not a guide to future results and is not indicative of expected realized returns.

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Definitions

Direct Lending is the provision of credit by a non-bank lender, directly to a company.

Index Definitions

U.S Equity represented by the S&P 500 Index: A stock market index that measures the stock performance of 500 large companies listed on stock exchanges in the United States. Indices are not actively managed and investors cannot invest directly in the indices.

Fixed Income represented by the Bloomberg Barclays U.S. Corporate Bond Index. This index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. Indices are not actively managed and investors cannot invest directly in the indices.

Direct lending represented by the Cliffwater Direct Lending Index (CDLI). 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 Business Development Companies (BDCs), including both exchange-traded and unlisted BDCs, subject to certain eligibility requirements. Indices are not actively managed and investors cannot invest directly in the indices.

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