



Wyandanch Consulting LLC

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# Cliffwater Corporate Lending Fund

CCLFX | Forensic Loan Book Analysis

\$31.5 Billion Net Assets | 2,330 Positions Analyzed | 97% Level 3

## **Finding: Reported NAV Overstates True Asset Value**

Position-level re-marking of every holding in the Dec 31, 2025 N-PORT filing

Data Source: SEC EDGAR CIK 1735964 | N-PORT (Mar 2, 2026) | N-CSRS Semi-Annuals

March 16, 2026

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Institutional Research | Due Diligence | Asset Management

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## Executive Summary

The Cliffwater Corporate Lending Fund (CCLFX) is the largest interval fund in the United States with \$31.5 billion in net assets and a total investment portfolio of \$47.5 billion as of December 31, 2025. (The N-PORT filing reports \$56.3 billion in total assets, which includes \$8.8 billion in cash, receivables, and margin deposits, plus approximately \$2.6 billion in gross-up from FX forward contracts and interest rate swap matched pairs -- items we exclude from our investment analysis.) The fund is marketed to retail investors as a conservative, diversified senior secured lending strategy with low volatility, 97% first-lien exposure, 41% average loan-to-value, and reported leverage of just 0.31x.

This report presents a position-level forensic analysis of every holding in the fund's N-PORT filing. We analyzed 2,330 positions totaling \$49.8 billion in reported fair value. Each position was independently re-marked using a True Free Cash Flow framework that accounts for EBITDA add-back inflation, actual secondary market pricing, embedded leverage through CLO and PIV structures, and seniority-appropriate recovery rates from S&P and Moody's.

Our analysis identifies material overstatement in the fund's reported net asset value. The overstatement is concentrated in three categories: CLO equity tranches marked near par despite being first-loss positions in 10-12x levered vehicles; pooled investment vehicle (PIV) equity with no observable market pricing; and BDC equity positions marked at 1.0x NAV when comparable public BDCs trade at 0.54-0.91x. We also document 189 borrowers that have converted from cash-pay to payment-in-kind (PIK) interest -- a credit event that Cliffwater does not reflect in its marks.

## Key Findings

Total Investments (N-PORT)	<b>\$47.5 billion</b>
Net Assets (CW Reported)	<b>\$31.5 billion</b>
Total Liabilities	<b>\$24.8 billion</b>
Positions Analyzed	<b>2,330</b>
CW Total Fair Value (Analyzed)	<b>\$49.8 billion</b>
Nick's Fair Value Estimate	<b>\$42.8 billion</b>
Implied Overstatement	<b>\$7.1 billion (14% of assets)</b>
Nick's NAV Estimate	<b>\$24.5 billion (78c per dollar)</b>
Reported Fund Leverage	<b>0.31x (CW's figure)</b>
Actual Leverage (Liabilities/NAV)	<b>0.79x (\$24.8B / \$31.5B)</b>
CLO Positions (Total)	<b>\$8.1 billion (\$3.4B overstatement)</b>
BDC/Equity Positions	<b>\$3.6 billion (\$1.3B overstatement)</b>
Borrowers in PIK	<b>189 (up from 0 in 2019)</b>
Q1 2026 Redemption Demand	<b>14% of shares (cap: 5-7%)</b>

## Fund Overview

CCLFX is a continuously offered interval fund registered under the Investment Company Act of 1940. It does not trade on any exchange. Investors purchase shares at daily NAV and may request repurchase only during quarterly tender periods, subject to a 5% cap (historically honored at 7.38%). The fund has no obligation to repurchase shares beyond this cap, making it effectively illiquid for investors seeking to exit during periods of elevated redemption demand.

### Fund Structure

Fund Name	<b>Cliffwater Corporate Lending Fund</b>
Ticker	<b>CCLFX</b>
Fund Type	<b>Interval Fund (1940 Act)</b>
Net Assets (Dec 2025)	<b>\$31.5 billion</b>
Total Investments (Dec 2025)	<b>\$47.5 billion</b>
Total Assets incl. cash/derivs	<b>\$56.3 billion (N-PORT)</b>
N-PORT Positions	<b>8,010 line items</b>
Positions Analyzed	<b>2,330 (&gt;\$100K fair value)</b>
Level 3 Assets	<b>97% of portfolio</b>
Filing Date	<b>March 2, 2026 (period: Dec 31, 2025)</b>
Auditor	<b>Cohen &amp; Company (PCAOB deficiency 2024)</b>

### Marketing Claims vs. Filing Data

Metric	Fact Sheet	Filing / Analysis
<b>Net Assets</b>	\$33.1B (Feb 2026)	\$31.5B (Dec 2025 filing)
<b>First Lien %</b>	97%	97% by label; 30%+ is CLO/PIV equity
<b>Avg LTV</b>	41%	59-83% after add-back adjustment
<b>Leverage</b>	0.31x D/E	0.79x D/E (\$24.8B liab / \$31.5B NAV)
<b>Volatility</b>	1.71% std dev	Sharpe 3.75 (cf. Madoff ~3.5)
<b>Return</b>	9.42% inception	Based on internal Level 3 marks
<b>Total Fees</b>	3.27%	4.19% on true asset value (78c/\$)

## The Valuation Problem

Every position in the fund was re-marked using three independent methodologies. The divergence between Cliffwater's internal marks and both market-implied and fundamental estimates is concentrated in specific asset classes -- primarily CLO equity, PIV interests, and BDC equity -- where no observable market prices exist and the fund manager sets the mark.

### Three-Way Comparison: What the Portfolio Is Worth

Methodology	Total FV	NAV Implied	Cents / \$
Cliffwater (Reported)	\$49.8B	\$31.5B	100c
Secondary Market Rates	-\$45.2B	-\$26.9B	~85c
Nick's Marks (FCF)	\$42.8B	\$24.5B	78c

### Overstatement by Asset Type

Type	CW Fair Value	Nick FV	Gap	Key Issue
First-Lien	\$35.0B	\$33.9B	\$1.1B	EBITDA add-backs, PIK not reflected
CLO	\$8.1B	\$4.7B	\$3.4B	First-loss equity in 10-12x levered vehicles
Equity/BDC	\$3.6B	\$2.2B	\$1.3B	Marked 1.0x; publics at 0.54-0.91x
PIV	\$1.5B	\$0.9B	\$0.6B	Opaque fund-of-fund, no market
Subordinated	\$1.1B	\$0.8B	\$0.3B	17c S&P recovery in default
Preferred	\$0.5B	\$0.2B	\$0.3B	Below all debt in capital structure

### Nick's Mark Methodology: True FCF Framework

Each position is marked based on the borrower's ability to service debt from actual free cash flow -- not adjusted EBITDA. S&P Global reports that EBITDA add-backs average 47% of reported EBITDA in LBO transactions, and 54% of deals miss projected EBITDA by 25%+ within two years. Our methodology applies a conservative 16% haircut to reported EBITDA (S&P data suggests worse), calculates true interest coverage at current SOFR + spread, and applies seniority-appropriate recovery rates from S&P and Moody's actual default studies.

Key assumptions: All-in borrowing rate of ~9.1% (SOFR 3.6% + avg spread 550bps). At 7.1x true leverage, interest consumes ~77% of true EBITDA. After capex, most borrowers generate near-zero free cash flow. First-lien recovery: 39 cents (S&P 2024 actual, down from 76 cents in 2022). CLO equity: 5-48 cents (Wharton study avg NPV 66c, bottom quartile 37c). BDC equity: 50-72 cents (public BDC discount range).

## Market Evidence Against Private Credit Marks

Fourteen independent, observable data points confirm that the broader market disagrees with Level 3 private credit valuations. These are not opinions -- they are prices, filings, and academic studies.

1. **Fitch Default Rate** 9.2% trailing on leveraged loans (2025). CW's implied default rate from marks: ~1%.
2. **Blue Owl OBDC II Tender** Saba Capital tendered at \$3.80 vs \$8.27 NAV -- a 54% discount. Public OBDC trades at 0.74x NAV.
3. **Public BDC Sector** Average 0.83x NAV. FSK 0.54x, PSEC 0.43x. Non-traded should trade BELOW public due to illiquidity.
4. **PE Multiple Compression** Software: 20-26x (2021) to 15-22x (2025). Healthcare services: 14.5-16x to 11.5-12.8x.
5. **Gundlach (Jan 2025)** "Private credit is the most overvalued, over-hyped asset class today. The marks are fiction."
6. **Dimon (Oct 2024)** "There could be hell to pay in private credit... there will be a shakeout."
7. **BDC Alpha Study** Academic finding: BDC "alpha" of 2.74%/yr disappears when adjusting for stale marks.
8. **Wharton CLO Study** 2,216 CLO deals: avg equity NPV = 66c. Bottom quartile: 37c. OXLC down 85% from inception.
9. **LSTA Index** CCC first-lien trades at 82-88c. CW marks comparable positions at 95-100c.
10. **Lincoln Senior Debt** ~40% of middle-market borrowers have FCF-to-debt-service below 1.0x. Marked at 99.13c.
11. **Foreclosures** \$24.1B in 2025 -- nearly 2x the \$13.6B combined over prior 3 years. 75% tied to 2021-2022 vintage.
12. **Maturity Extensions** 30-40% of deals maturing in next 2 years already extended once (Ron Kahn, Lincoln).
13. **CCLFX Redemptions** 14% requested Q1 2026 (capped at 5-7%). Bloomberg confirmed within 48 hours.
14. **Auditor Deficiency** Cohen & Company received PCAOB deficiency on Level 3 fair value -- exactly CCLFX's challenge.

## The PIK Bomb

Payment-in-kind (PIK) interest means the borrower cannot pay cash interest and instead adds the owed amount to the loan principal. It is a credit event by definition -- the borrower has defaulted on its contractual obligation to pay cash. Cliffwater had zero PIK positions in 2019. By September 2025, 189 borrowers had converted to PIK, representing a 64% increase while fund AUM grew only 29%.

### PIK Growth Timeline

Period	PIK Count	SOFR	Fund AUM
Jun 2019	0	2.4%	~\$3B
Dec 2021	8	0.1%	~\$8B
Sep 2022	36	3.0%	~\$12B
Mar 2024	115	5.3%	~\$22B
Sep 2025	189	4.3%	~\$28B

The pattern is clear: when SOFR was near zero, every borrower could pay cash interest. As rates rose, borrowers progressively failed to service their debt. Cliffwater responded by amending loans to PIK -- preserving the par mark while the underlying credit deteriorated.

### The PIK Playbook (6-Step Process)

1. Borrower cannot pay -- SOFR rises from 0% to 5.3%, all-in rate hits 9-11%
2. Amend to PIK -- restructure from cash-pay to IOUs, avoid default classification
3. Extend maturity -- push 2-5 years forward; 473 extensions detected across filings
4. Mark at par -- Level 3 asset, CW sets the mark, no independent pricing
5. Book PIK as income -- \$130M+/year in non-cash IOUs counted as distributable income
6. Collect fees -- amendment fees of \$3.5M in Sep 2025 (was \$818K in 2020)

Result: Three years of non-payment. PIK accrual ballooning principal (100% PIK at 12.17% avg coupon = 78% principal growth over 5 years). No markdown. No non-accrual. No loss recognized. NAV unchanged. The fund has reported zero non-accrual loans across every filing period we analyzed.

## Hidden Leverage

Cliffwater reports 0.31x debt-to-equity leverage. This figure is materially misleading. It excludes all embedded leverage within the fund's CLO, PIV, and BDC equity positions. The N-PORT filing shows \$24.8 billion in total liabilities against \$31.5 billion in net assets -- a 0.79x debt-to-equity ratio, more than double the reported 0.31x. (Note: the filing's \$56.3 billion total assets figure includes \$8.8 billion in cash and receivables plus \$2.6 billion in FX forward and IRS gross-ups, which we exclude from investment analysis. Total investment portfolio value is \$47.5 billion.)

### The Five Layers of Leverage

Layer	Reported	Actual Exposure	Multiplier
<b>Fund Level</b>	\$31.5B equity	\$47.5B investments	1.51x inv/NAV
<b>CLO Positions</b>	\$8.1B FV	~\$80B underlying loans	~10x internal
<b>BDC Equity</b>	\$2.5B FV	~\$3.75B underlying	~1.5x avg
<b>Company Level</b>	Not disclosed	5-7x EBITDA leverage	Fragility
<b>Unfunded</b>	\$4.7B committed	Creates more leverage	Incremental

### Effective Leverage Chain

For every \$1 of investor equity allocated to CLO equity positions within the fund:

\$1.00 of equity --> Fund borrows at 0.31x D/E --> \$1.31 deployed

\$1.31 into CLO equity --> CLO has 10x internal leverage --> \$13.10 of underlying loans

Effective exposure: ~13x on investor equity. This does not include company-level leverage (5-7x EBITDA), which amplifies fragility -- a 15% EBITDA decline at the company level wipes equity and impairs first-lien recovery.

### Cash Flow Has Flipped Negative

FY2024 Free Cash Flow **+\$426.6M**

LTM Sep 2025 Free Cash Flow **-\$118.5M**

The fund shifted from positive to negative free cash flow in 2025 while simultaneously facing 14% redemption demand. The structural deficit can only be plugged by net inflows or distressed sales. Combined with \$4.7 billion in unfunded commitments (callable by borrowers), the fund faces a liquidity mismatch that intensifies with each quarter of elevated redemptions.

## The Volatility Lie

CCLFX reports 1.71% annualized standard deviation -- less than half the volatility of US Treasury bonds. For a portfolio of 5-7x levered private equity loans with 97% illiquid assets, this is statistically impossible. The low reported volatility is a function of how infrequently marks are updated, not the quality of the underlying assets.

### Statistical Comparison

Metric	CCLFX	Madoff	S&P 500
Sharpe Ratio	3.75	~3.5	~0.5
% Positive Months	96.3%	~96%	~62%
Monthly Std Dev	0.49%	~0.7%	~4.3%
Max Drawdown	2.15%	~0.6%	~34%
Longest Win Streak	41 months	N/A	~15 mos
Autocorrelation	0.24	N/A	~0.02
Skewness	-2.45	N/A	~-0.5
Excess Kurtosis	14.4	N/A	~-1.0

CCLFX is statistically closer to Madoff's reported returns than to any legitimate asset class. The mechanism is different -- Cliffwater uses stale Level 3 marks rather than fabricated trades -- but the investor experience is identical: impossibly smooth returns that mask catastrophic tail risk. The -2.45 skewness and 14.4 excess kurtosis confirm that when losses arrive, they will arrive all at once, not gradually.

### Crisis Test: Returns Disconnected from Markets

Event	S&P 500	LSTA Index	CCLFX
COVID Crash (Mar 2020)	-34%	-12%	-2.15%
Rate Shock (May 2022)	-20%	-4%	-0.19%
Liberation Day (Apr 2025)	~-12%	Locked	+0.39%

During every market dislocation, CCLFX reported negligible losses or even gains. This is not resilience -- it is mark latency. The LSTA Leveraged Loan Index (which tracks similar credits with observable market prices) declined 12% during COVID. CCLFX, holding the same asset class, reported -2.15%. The difference is not portfolio quality -- it is pricing frequency.

## Six Structural Problems

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### 1. Misabeled Technology Exposure

262 positions labeled Technology (\$7.6B). True tech exposure exceeds 26% of the fund. Dozens of SaaS companies are hidden under "Business Services," "Healthcare IT," and other categories. AI disruption risk (UBS estimates 25-35% of private credit) is materially underrepresented in the fund's risk disclosures.

### 2. No Portfolio Construction

14+ insurance brokerage rollups, 7+ HVAC/home services, 12+ RIA/wealth management. The same PE buy-and-build thesis repeated across 200+ positions. All correlate in a downturn. This is not diversification -- it is concentration disguised by borrower count.

### 3. Marking Inconsistencies

50+ positions with 30-90 point mark divergence between CW fair value and observable secondary market rates. Examples: Afiniti marked at 95c despite bankruptcy filing. Weber-Stephen at 101c when secondary market shows 21c. CPF Dental at par despite matured and unpaid.

### 4. Hidden Leverage Beyond Financing

\$8.1B in CLO positions (10-12x levered internally), \$3.6B in equity/BDC positions (1-2x, double fees), \$1.54B in self-dealing SPVs. Reported 0.31x leverage dramatically understates true economic exposure. Effective leverage on CLO equity allocation: ~13x.

### 5. Liquidity Mismatch

\$31.5B interval fund offering 5-7% quarterly repurchases against 97% Level 3 assets with no secondary market. 14% redemption demand in Q1 2026 vs. cap. Fund structure is a roach motel -- capital enters freely but cannot exit in stress.

### 6. Prisoner's Dilemma

14% requesting out, only 5-7% allowed. Fund sells most liquid positions first to meet redemptions. Portfolio quality degrades each quarter. Last investors out receive the toxic residue. Comparable funds have already gated: Blue Owl (Feb 2026), BlackRock HLEND, Morgan Stanley North Haven.

## The Redemption Trap

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The fund's quarterly cash obligations now exceed its available liquid assets. This creates a structural deficit that can only be resolved through continued net inflows, distressed asset sales, or both.

### Quarterly Cash Obligations

Redemptions at 5% gate	~\$1.58B per quarter
Interest on secured debt (~9%)	~\$225M per quarter
Management fees (1.25%)	~\$98M per quarter
Total quarterly need	~\$1.85B per quarter

### Available Liquidity

Cash + broadly syndicated (95c+)	~\$600M
Middle market (sellable 85-95c)	~\$4.2B (30-90 day sale)
CLO/PIV equity (illiquid)	~\$8B (no market)
Total truly liquid	~\$600M

The math is straightforward: \$1.85B in quarterly obligations against \$600M in truly liquid assets. The \$1B secondary sale already underway (reported at 93c) consumed a significant portion of the easy liquidity. Each subsequent quarter requires selling deeper into the illiquid book at progressively worse prices.

### The 4-Quarter Death Spiral

- Q1 2026: Sell liquid assets at 93-95c. Manageable but depletes buffer.
- Q2 2026: Forced into middle market sales at 85-90c. Marks begin adjusting.
- Q3 2026: Mark adjustments trigger additional redemptions. Sellable assets depleted.
- Q4 2026: CLO/PIV/BDC equity tail remains. No buyers. Leverage becomes untenable.

This is not a prediction -- it is the mechanical consequence of a liquidity mismatch between quarterly redemption obligations and a 97% Level 3 portfolio. The timeline depends on whether net inflows continue to subsidize redemptions. If inflows slow or reverse, the spiral accelerates.

## Senior Secured Debt Structure

CCLFX has substantial fund-level borrowings that rank senior to equity holders. In any liquidation scenario, these creditors are paid first. Equity investors (retail shareholders) absorb losses after all secured debt is satisfied.

### Fund-Level Debt

Revolving Credit Facility	~\$4.2B (facility size)
Senior Secured Notes	\$6.6B (40 issuances)
Total Senior Claims	~\$10.0B
Unused Revolver Capacity	~\$1.0B

The fund's \$6.6 billion in senior secured notes across 40 separate issuances represent a complex capital structure unusual for an interval fund. These notes have priority over equity in all scenarios. With \$24.8 billion in liabilities senior to equity, a 52% decline in investment portfolio value (\$47.5B to ~\$24.8B) would wipe equity entirely.

### Seniority Breakdown: What Is Actually First-Lien?

Cliffwater markets the fund as "97% first lien." This is technically true but profoundly misleading. First-lien on a 6-7x levered LBO is very different from first-lien on investment-grade corporate debt. Moreover, the fund's CLO equity, PIV equity, and BDC equity positions are structurally subordinated -- they sit below all rated tranches in their respective vehicles. These positions are first-loss, not first-lien.

Category	% of Portfolio	True Seniority
First-lien (direct loans)	~65%	Senior secured, but on 6-7x levered cos
CLO senior/mezz notes	~5%	Senior within CLO structure
CLO equity (first-loss)	~14%	Below ALL rated notes, first-loss
PIV/BDC equity	~12%	Equity in levered vehicles, no priority
Sub/second-lien/other	~4%	Subordinated or unsecured

## Self-Dealing and Conflicts of Interest

The fund contains \$1.54 billion in positions that are self-managed or affiliated with Cliffwater. These include vehicles created by the fund manager, funded by the fund, and marked by the fund manager -- a circular arrangement with no independent pricing.

### Identified Self-Dealing Vehicles

Vehicle	Fair Value	Structure
Private Credit Fund C-1 HoldCo	\$889M	Cliffwater-created SPV, largest position
CW Credit Opportunity Fund	\$350M	Affiliated credit vehicle
KCLF / CLFK Vehicles	\$300M+	Captive funding vehicles

The Private Credit Fund C-1 HoldCo LLC is the single largest position in the fund at \$889 million. It is a special purpose vehicle created by Cliffwater with zero sponsor transparency. There is no independent manager, no observable market price, and no third-party valuation. The fund manager is effectively marking its own homework on 2.8% of the entire fund.

## Concentration Risk

Despite marketing 4,100+ underlying credits as evidence of diversification, the fund exhibits significant concentration through structural complexity:

ASP SUMMA complex	<b>\$1.0B across 21 tranches (single obligor)</b>
Single largest position	<b>\$889M (C-1 HoldCo, self-dealing)</b>
Top 10 positions	<b>~\$6.5B (18% of analyzed FV)</b>
CLO concentration	<b>\$8.1B total (\$3.4B overstatement)</b>
Technology sector (true)	<b>26%+ including mislabeled SaaS</b>

## Staffing & Governance

Cliffwater operates two distinct businesses from 190 total employees: a pension advisory practice (\$79 billion in assets under advisement) and a fund management platform (\$44 billion in AUM across three interval funds). The advisory business -- founded in 2004 -- consumes the majority of headcount. The fund management business, launched in 2019, relies on an estimated 15-20 investment professionals to manage \$44 billion and mark 8,010 positions.

### Peer Comparison: Credit Investment Professionals

Firm	Credit AUM	Inv. Pros	AUM/Pro	Originate?
<b>Cliffwater</b>	\$44B	~18	\$2.4B	No
Ares Credit	\$407B	330	\$1.2B	Yes
Apollo Credit	\$450B	235	\$1.9B	Yes
HPS/BlackRock	\$220B	590	\$0.4B	Yes
Blue Owl	\$158B	115	\$1.4B	Yes

Cliffwater manages approximately 2x more AUM per investment professional than Apollo and 1.7x more than Blue Owl. Critically, every peer firm on this list originated the loans they manage -- they have borrower relationships, board seats, and active covenant monitoring. Cliffwater is a multi-manager allocator that marks positions through sub-advisors (Crescent Capital, Audax, Beach Point) without direct borrower access.

### CCLFX: 2 Portfolio Managers, 8,010 Positions

Named CCLFX PMs	<b>2 (Caitlin Nemeth, Frances Beyers)</b>
CCLFX NAV	<b>\$31.5 billion</b>
N-PORT positions	<b>8,010</b>
NAV per PM	<b>\$15.75 billion</b>
Positions per PM	<b>4,005</b>

### The Conflict Stack

Cliffwater simultaneously occupies five roles typically separated across institutions:

1. PENSION CONSULTANT -- Advises 50+ pensions/endowments on \$79B in alternatives
2. FUND MANAGER -- Runs the funds those same pensions invest in (\$44B)
3. BENCHMARK CREATOR -- Created the CDLI, the industry standard for private credit
4. VALUATION AUTHORITY -- Marks 8,010 Level 3 positions with no observable prices
5. TPG AFFILIATE -- TPG Growth + Temasek acquired minority stakes (Apr 2025); CW subsequently recommended TPG AG Credit Solutions Fund III to Rhode Island pension

CCLFX grew from \$0 to \$31.5 billion in six years -- the fastest growth in interval fund history. The \$79B advisory business is not a separate enterprise; it is the distribution channel that feeds the fund platform. Pensions trust Cliffwater because they have been their consultant for two decades. That trust now flows into products where Cliffwater sets the marks, reports the returns, and collects the fees.

## Conclusion

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The Cliffwater Corporate Lending Fund is marketed as a conservative, low-volatility, senior secured lending strategy. Our position-level forensic analysis of the December 31, 2025 N-PORT filing reveals a materially different reality:

1. NAV is overstated by an estimated \$7.1 billion (14% of assets, 22% of NAV), with the overstatement concentrated in CLO equity, PIV interests, and BDC equity positions that lack observable market prices.
2. Reported leverage of 0.31x dramatically understates true economic exposure. Filing liabilities total \$24.8 billion against \$31.5 billion NAV (0.79x D/E -- more than double the reported figure). Effective leverage on CLO equity allocations reaches ~13x through embedded structural leverage.
3. 189 borrowers have converted from cash-pay to PIK interest -- a 64% increase while AUM grew 29%. These credit events are not reflected in the fund's marks or NAV.
4. Statistical properties of reported returns (Sharpe 3.75, 96.3% positive months, -2.45 skewness) are inconsistent with any legitimate leveraged credit strategy. The smoothness is artificial, not real.
5. The fund faces a structural liquidity mismatch: ~\$1.85B in quarterly cash obligations against ~\$600M in truly liquid assets. Redemption demand of 14% exceeds the 5-7% quarterly cap.
6. Free cash flow turned negative in 2025 (LTM -\$118.5M vs. +\$426.6M in FY2024), eliminating the fund's ability to self-fund redemptions from operating cash flow.

We are not alleging fraud. The fund operates within its legal and regulatory framework. What we are documenting is a systematic divergence between the fund's marketed risk profile and its actual economic exposure -- a divergence enabled by the opacity of Level 3 valuation and the structural conflicts inherent in a manager marking its own illiquid portfolio.

The full position-level dataset, including three-way mark comparisons, risk tier classifications, and AI threat scores for all 2,330 positions, is available for download at [markedtofantasy.com](https://www.markedtofantasy.com).

## Disclaimer

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The valuations presented as "Nick's Marks" represent the author's independent estimate of fair value based on a True Free Cash Flow methodology. These estimates may differ materially from the fund's reported fair values. Investors should conduct their own due diligence and consult with qualified financial advisors before making investment decisions.

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