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Liquidity in Private Markets

A Guide to Interval Funds

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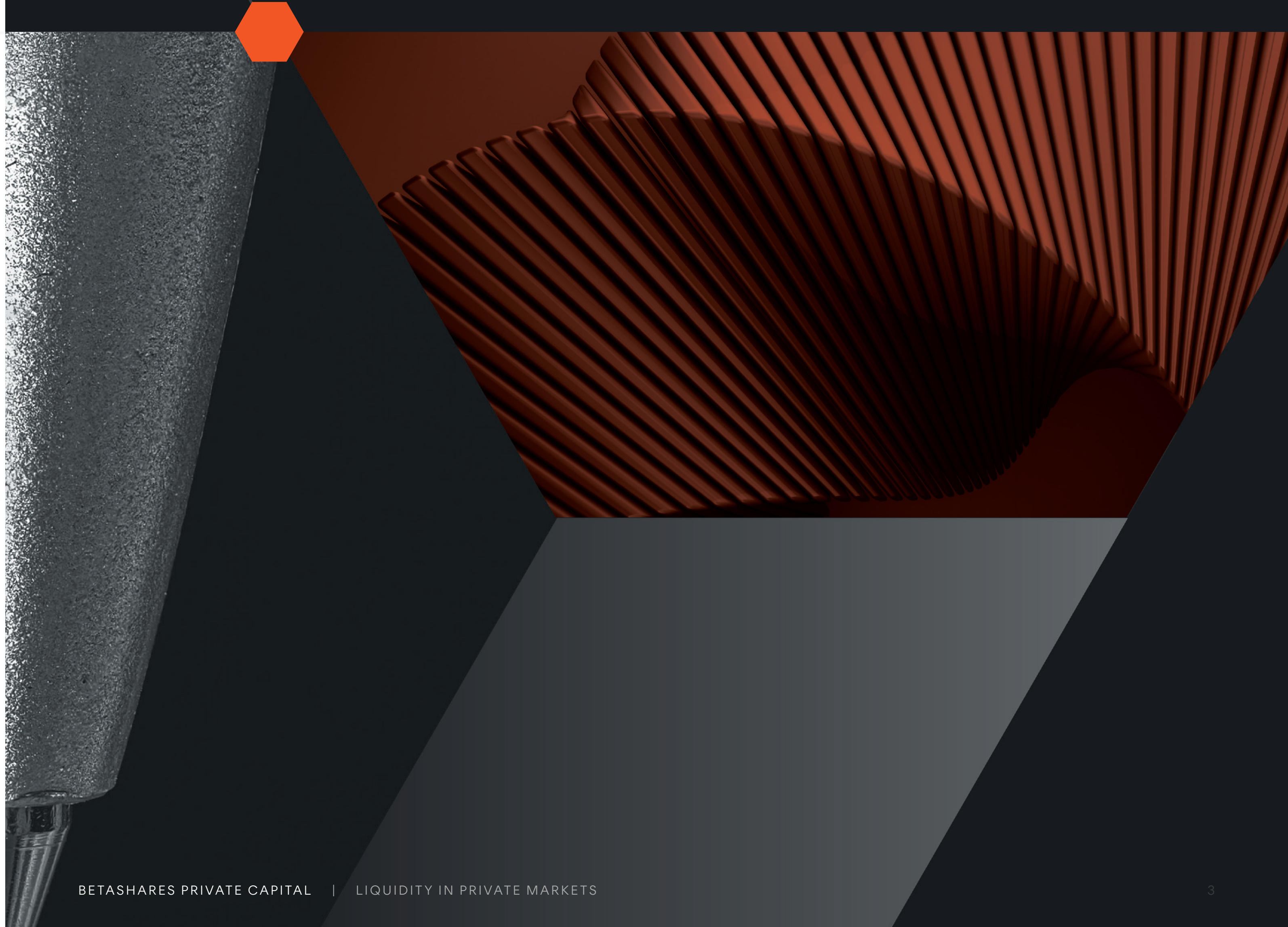
Private market investing has evolved significantly in recent years. Strategies that were once accessible only through large, long-dated institutional commitments are increasingly available via modern evergreen fund or 'semi-liquid' structures, offering lower investment minimums and ongoing access to private capital over time. This meaningful shift has allowed a broader range of investors to participate in the same investment opportunities previously open only to the largest institutional investors.

This evolution has expanded access to investment opportunities in private credit, private equity and real assets and more, and in doing so, has brought renewed focus to a concept that sits at the heart of private markets: liquidity.

Understanding how liquidity works, particularly in modern evergreen structures such as interval funds, is essential is for investors allocating capital to private strategies.



Why invest in private assets?

Unlike public markets, where liquidity is provided continuously through exchanges, private markets rely on managed, structural mechanisms to balance investor access with the underlying reality of illiquid assets.

Because private assets are not traded on exchanges, the assets do not benefit from continuous price discovery and often involve negotiated transactions that take time to execute. As a result, liquidity in private markets is governed by fund structures, investor terms and the cash-flow characteristics of the underlying assets.

Depending on your mix of these factors, your 'liquidity rights' may differ from one product to the next and hence it is important to understand these concepts.

"Semi-liquid does not mean liquid; it means liquidity is managed deliberately to protect both redeeming and remaining investors."

Why private assets are illiquid by design

Private market strategies are built around long-term objectives that are simply incompatible with short-term liquidity. Private credit funds originate loans with multi year maturities, private equity strategies invest in businesses that require time to grow or scale, and infrastructure and real assets are typically underpinned by long-dated contracts and stable operating cash flows.

Importantly, this illiquidity is also one of the reasons private assets have historically been able to offer the potential for higher expected returns than comparable public market investments. This additional expected return is commonly referred to as the 'illiquidity premium'.

The illiquidity premium represents the compensation investors may receive for committing capital over longer time horizons and accepting reduced access to their investment. By forgoing immediate liquidity, investors may be rewarded with higher yields, more stable cash flows or improved risk-adjusted returns, particularly in strategies such as private credit where contractual income streams are central to the investment thesis.

That said, the illiquidity premium is not guaranteed. It is a structural feature that must be earned through disciplined underwriting, portfolio construction and manager skill. Illiquidity alone does not create value, but when paired with appropriate strategy execution, it can be a meaningful contributor to long-term returns.

How fund structure shapes liquidity outcomes

The way liquidity is delivered to investors depends heavily on fund structure. Traditional closed-end funds that are common in private equity and venture capital generally offer no redemption rights. Investors commit capital upfront and receive distributions only as assets are realised, often over a decade or more.

Structure	Redemption rights	Typical use	Liquidity character
Closed-end fund	None. Investors commit capital upfront and receive distributions only as assets are realised	Private equity, venture capital, traditional private credit	Fully illiquid. Capital typically locked for 10+ years. No formal redemption mechanism
Evergreen/ Open-ended fund	Ongoing subscriptions; redemptions may exist but vary widely by structure and terms	Private credit, real assets, diversified private markets	Liquidity profile depends entirely on whether formal redemption rights exist and how they are governed
Interval fund	Structured, periodic repurchases offers at defined intervals - typically quarterly - for a capped proportion of NAV	Widely used for private credit in an evergreen framework	Managed liquidity. Redemptions are schedule, capped and governed by clear rules. Not at-call access.

A fund should only be considered semi-liquid if liquidity is explicitly scheduled, capped and governed by clear rules also known as 'liquidity rights'. Advance notice requirements, redemption limits and the ability to scale back requests are essential features. Semi-liquid does not mean liquid; it means liquidity is managed deliberately to protect both redeeming and remaining investors.

Quarterly
Most common interval for repurchase offers in semi-liquid private credit structures

5–25%
Proportion of NAV regulation requires interval funds to offer for repurchase at each window

Interval funds: A structured approach to managed liquidity

Interval funds have become one of the most widely used structures for delivering private market exposure within an evergreen framework, particularly in private credit. Regulated under the US Investment Company Act of 1940, interval funds operate as closed-end vehicles with a standing obligation to provide periodic liquidity through formal repurchase offers.

These repurchase offers are conducted at predetermined intervals, typically quarterly, and for a defined proportion of outstanding units. Importantly, they do not represent an open-ended promise of liquidity. If investor requests exceed the amount offered in any period, redemptions are fulfilled on a pro-rata basis. This mechanism ensures liquidity is distributed fairly while preventing forced asset sales that could undermine the illiquidity premium by crystallising value at inopportune times.

This structure reflects a deliberate balance. Interval funds are designed to provide access to liquidity without forcing managers to compromise the integrity of an illiquid portfolio. Rather than relying on asset sales at potentially unfavourable prices, liquidity is managed through a combination of portfolio income, loan repayments, diversification of maturities and, where appropriate, short-term financing facilities. The objective is to support orderly redemptions while protecting long-term investors.

The mechanics, step by step

A repurchase offer follows a defined sequence. Understanding each step is essential to using these structures well.

Quarterly repurchase offer: the flow

Illustrative process for a typical interval fund repurchase window.

Step 1
Fund announces quarterly window and repurchase amount.

Step 2
Investors submit redemption requests within notice period.

Step 3
Requests vs cap compared. Decision point.

If oversubscribed

Pro-rata allocation
Each investor receives a proportional share of the available repurchase amount.

Unmet balance does not roll forward - must be resubmitted next window.

Step 4
Redemptions processed at NAV on pricing date.

Illustrative of how a typical interval fund repurchase offer operates. Actual timelines, notice periods and mechanics vary by fund and are set out in the relevant disclosure documents. The 5–25% NAV repurchase requirement is set by US Investment Company Act of 1940 regulation; most funds operate at 5%. Unmet redemption requests must be resubmitted in a subsequent period — they are not automatically queued.

How this applies to our Cliffwater Private Credit Fund

The BPC Cliffwater Private Credit Fund (Fund) is structured as an Australian unit trust that invests primarily in a US-regulated private credit interval fund. As a result, the liquidity available to investors in the Fund is directly linked to the liquidity mechanisms of the underlying interval fund.

Investors may submit redemption requests on a quarterly basis, aligned with the repurchase offer schedule of the underlying fund. However, it's important to understand these redemptions are not processed automatically or continuously. Rather, they are subject to the Fund's ability to participate in the underlying fund's repurchase offer and to the amount of capital successfully repurchased at that level.

The underlying fund is an interval fund — a highly regulated structure that provides investors with clearly defined liquidity rights. By design, interval funds are required to make a portion of their net asset value available for repurchase at scheduled intervals. Regulation typically requires between 5% and 25% of NAV to be offered for repurchase at each window, with most funds, including the underlying fund into which the Fund invests, operating at the 5% level.

This means that while quarterly liquidity is a feature of the structure, it is conditional rather than guaranteed. If redemption requests across the investor base exceed the amount of liquidity available from the underlying interval fund in any given quarter, redemption requests may be scaled back on a pro-rata basis. It's also important to remember that any unmet portion does not roll forward automatically and will need to be resubmitted in a subsequent period, consistent with the processes described in the disclosure document.

> This framework provides a transparent and equitable approach to liquidity and stands in contrast to many private market structures where investors have no formal redemption rights or where liquidity is entirely discretionary.

The Product Disclosure Statement for the Fund also sets out important operational considerations, including notice periods, cut-off dates and the Responsible Entity's discretion to manage redemptions in certain circumstances. These features are not designed to restrict investors unnecessarily, but to ensure that liquidity is delivered fairly and in a way that reflects the underlying private credit assets in which the Fund ultimately invests.

Liquidity under stress and protecting long-term value

Liquidity frameworks are most visible during periods of market stress. When volatility rises or sentiment deteriorates, investor demand for liquidity often may increase at the same time that asset liquidity becomes harder to realise. In these environments, mechanisms such as redemption caps, pro-ration and, in limited circumstances, suspended redemptions, play an important role.

While often viewed negatively, these controls are designed to protect investors collectively. They help prevent fire-sale pricing with the objective of preserving the illiquidity premium embedded in private assets and allowing portfolios to be managed through market cycles rather than liquidated at distressed valuations.

Why this matters for investors

Interval funds and similar evergreen structures represent an evolution in how private markets are accessed. These modern structures offer a disciplined framework for periodic liquidity without compromising the underlying asset integrity. Used thoughtfully, they can play a valuable role in portfolio construction, however, if used without understanding, they can lead to mismatched investor expectations.

Understanding how liquidity works, and how it is managed, is essential to using private assets responsibly. Interval funds, and funds that invest in them, are not substitutes for daily-liquid investment, and a quarterly redemption mechanism does not change the fact that the underlying assets are private, illiquid and intended to be held over a multi-year horizon.

For investors allocating to private credit through this type of structure, the key question is not whether liquidity exists, but whether the form of liquidity offered aligns with their broader portfolio construction, cash-flow needs and investment horizon.

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