WSJ PRO PRIVATE EQUITY

MONDAY, AUGUST 1, 2022 © 2022 Dow Jones & Company, Inc. All Rights Reserved.

PRO PE FUND NEWS

Arena Investors Raises $930 Million for Credit-Focused Deals

New York-based investment firm expects opportunities to arise from market downturn, deflating asset bubble

By Maria Armental

Arena Investors, which has its headquarters in New York's Chrysler Building, focuses on distressed debt and credit markets.
PHOTO: TIMOTHY A. CLARY/AGENCE FRANCE-PRESSE/GETTY IMAGES

New York-based investment firm Arena Investors has raised $930 million for its latest opportunistic investment strategy, seeing potential deal targets in the economic downturn.

"We're really at the precipice of some material changes as we enter into recession," said Dan Zwirn, Arena's chief executive and chief investment officer. Mr. Zwirn started Arena, which focuses on distressed debt and credit markets, with support from Canadian asset manager Westaim Corp. in 2015.

Arena's credit-oriented investments can include asset-backed debt and collateralized loan obligations, according to a regulatory filing.

The firm's transactions range from $5 million to $50 million and typically fall within the $10 million to $20 million range, according to Parag Shah, an Arena managing director who heads marketing and client services.

The firm began raising commitments for its latest fund, Arena Special Opportunities Partners II LP, and related vehicles about a year ago with a goal of collecting $750 million and an investment minimum set at $15 million. In addition to some new participants, all investors in a predecessor fund committed cash in the latest fundraising, the firm said.

Arena's predecessor fund closed in December 2020. The firm used the fresh capital to make credit-oriented investments in industries hurt by the Covid-19 pandemic and said that through June it has produced an estimated net return of 1.44 times invested capital. Last month, the firm said in a securities filing that it had about $3.53 billion in regulatory assets under management at the end of April.

Looking back at the past decade in the markets, Mr. Zwirn describes himself as a "careful contrarian and strong believer that everything has some historical reference." He said he expects to see difficult conditions develop in the markets similar to the hedge-fund-prompted liquidity squeeze in 1998.

A correction period has begun that may help deflate a technology asset bubble that has built up in recent years, Mr. Zwirn said.

"Trillions of dollars have been invested to create hundreds of billions of dollars of value in the technology markets," he said. But in some cases companies sacrificed profitability in favor of growth that has proven unsustainable even as it supported higher valuations, Mr. Zwirn said.

"So that whole process is now unwinding in a kind of cataclysm," he said.

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