JANUARY 2023

As we enter 2023, only the most speculative beneficiaries of the "everything bubble" have begun to come back to Earth, while most of the pain in leveraged finance and private equity, structured finance, and mortgages and commercial real estate remains. This bubble, fueled by excessive liquidity and profligate policy on the part of governments and monetary authorities, cannot structurally continue *ad infinitum*. Further, the longer it persists, the worse the market correction that will be required. We do not take a view on timing, knowing that as John Maynard Keynes said, "Markets can stay irrational longer than you can stay solvent." Rather, Arena has built and operated our enterprise to be able to access investment opportunities that are attractive if the environment continues but which also leave us structurally advantaged if that proves not to be the case.

We have attempted to serve as careful stewards of your capital, having for several years now avoided the wide swath of investments buoyed by the excessive liquidity and speculation in the global financial system—but not supported by the underlying fundamentals of the assets or enterprises themselves. As a result, we are now in a position to play offense without the overhang of having to "blame" exogenous factors for prior investment performance. Also (and consistent with how we have always operated), we are in no particular rush to put capital to work as a broad repricing of risk plays out. The current market is as favorable as it has been since Arena began and is only continuing to improve in the size and variety of opportunities available.

At the same time, we recently entered a unique period where, for Arena, our relentless pursuit of compelling investments has led to a greater dispersion of return types (e.g., asset liquidations in addition to regular coupon-based loans, more investments where we have been the beneficiary of "convexity" that can result in volatility upon realization, etc.). Further, there are many investments among managers in private markets that (unlike Arena) have suffered diminution in value but are not being marked to their actual value, as managers kick the can down the road in hope for another rapid "V," which we think is unlikely to occur.

Our approach today is completely consistent with the way we have operated since inception and what we have communicated coming into this most recent period. In March 2020, in the midst of the onset of COVID-19, we noted that governments and monetary authorities pursuing "whatever it takes" policies in response to the pandemic would only make the asset/credit bubble worse. As a result, we viewed the "buying opportunity" many were touting as merely taking a macro bet. Similarly, we conveyed a year ago that inflation was likely not transitory and could only be addressed through either higher rates or severe fiscal belt tightening. As we sit here today, we note that risk-free rates, while significantly higher, have not yet effectuated meaningful changes in credit spreads or investor behavior. They have not been followed by any diminution in the valuation (versus the value) of assets that have been systematically overfinanced at low rates for many years, or the general pricing of risk (aside from those "investments" that were clearly the most speculative, such as crypto, NFTs, EV, the metaverse, etc.).

Two unifying characteristics of investments that benefited from the "everything bubble" (beyond the general speculative craze that rampant liquidity afforded) are that they have been misperceived as "safe" by investors while also being scalable for managers—creating the dichotomy of what we have called the "haves" and "have nots." As one example, funding sources have been boundless for companies with $50 million+ in EBITDA, backed by a financial sponsor, where the debt providers themselves had access to inexpensive leverage, and where the loans could be placed into collateralized loan obligations ("CLOs"). In contrast, smaller issuers,

which did not have a sponsor, would routinely find themselves in the position of accepting much different terms, even if their underlying business was intrinsically very strong. Arena has primarily pursued the "have nots" over the last seven years, where (through September 30, 2022) the firm has deployed ~$4.5 billion into ~350 privately negotiated transactions. That equates to about 50 transactions per year, averaging a little above $10 million per investment, where our "hit rate" was about 0.5% relative to the number of potential investments we reviewed in total, and where each investment required several hundred hours of diligence, documentation, and surveillance by Arena's front office, asset surveillance, operations, finance, tax, and compliance professionals, as well as outside accountants, consultants, and valuation professionals. Needless to say, Arena has expended a very high level of effort per dollar deployed, but that is what we feel has been required in order to make investments that commanded superior return per unit of risk. This has generally been in short-duration moated franchises or assets that are generally very easy to understand and liquidate, with structures that would leave us with optionality and where we have done the upfront work to confirm that the asset or enterprise can sustain the "turbulence" through which we might have to negotiate in the event of a workout.

On average, Arena's investments have been first-lien or first-position, 60%–65% loan-to-value, 18–24 months in duration, with a significant premium to the "market" rate, given the underlying risk. And as we sit in 2023, we have no investments for which we feel we will have to "apologize," and we are confident the risk/reward of our current holdings is consistent with that of our exited ones.

This orientation (high effort per dollar deployed to find process risk-oriented, high-premium, high-safety, high-convexity investments—in a highly speculative and liquidity-rich world) has also necessitated having extensive sourcing and servicing staffing and infrastructure. This includes our eight global business units, complemented by 50+ joint venture partners totaling several hundred people, with entities and structures in more than 20 countries. Our 150 global employees and consultants, in seven countries, allow us to be on-the-ground, with the appropriate tax, regulatory, monitoring, and access vehicles for appropriate and optimal structuring. This also includes our global presence and extensive network of interconnecting internal and external servicing capabilities and our proprietary systems, which have been built over the past 20+ years and allow Arena to operate systematically, with the appropriate efficiency, control, and governance. We continue to invest significantly in our back office as we take advantage of what will be the roughest market experienced since before the global financial crisis. These three pillars of our enterprise (mandate flexibility, proprietary and aligned sourcing network, and wholly controlled servicing infrastructure) have permitted us to avoid all of the speculative excess of the last several years in leveraged loans, sponsored direct lending, real estate loans eligible for securitization, new issue ABS, and many of the other beneficiaries of the "everything bubble."

We don't mind volatility, so long as we can benefit from it.

For the first time in 15 years, we are experiencing sustained volatility in markets, driven by fundamentals, where there will increasingly be permanent losses of capital reflected in pricing. This is distinct from "hiccups" such as December 2018 and March 2020, where markets fell and monetary authorities and governments quickly intervened with the effect of investors recouping those losses.

We scrupulously seek to avoid capital loss, working hard to steer clear of any investments that are based on the thesis that we have some expertise or insight that the rest of the market does not share and where the result relies on the market recognizing that view, such that we can exit. This is in contrast to making investments that not only have a large margin of safety, but also where it is within our control to "crystalize" the outcome of the investment, without resorting to mean reversion, other investors' "realizing" the value we have "discovered," or other forms of "hope as a strategy."[1] Further, we avoid macro exposure—in the form of speculation on business cycles, interest rates, currencies, or commodity prices. We either hedge these risks explicitly, or we avoid them altogether. As an example of the latter, we were not buying leveraged loans or ABS in March 2020, where an investor needed to rely on a Fed bailout at the prices at which those assets traded. Finally, we also seek to minimize micro or idiosyncratic risk—that is, we want to be indifferent as to the success or failure of the counterparty we are financing (which we discuss further, below).

(1) We discuss this topic more extensively in our March 2021 investor update, which is available upon request.

In today's environment (and increasingly more as we look forward), one has to distinguish between: (1) markdowns in investments that are unchanged in intrinsic value, with a hard catalyst/time frame to exit (where, when prices fall, you would be well served to take even greater exposure), (2) markdowns in investments that have long or permanent duration (like equities) where one "hopes" that there is a mean reversion, and (3) investments that are not marked, that have actually lost value, where managers and investors prefer to avoid recognizing reality. Some of our investments fall into category 1, where we are happy to foreclose and/or increase our position, as the case may be. We have no category 2 investments, but there are many out there in the markets, with more to come. And in our estimation private markets are filled with an enormous number of category 3 investments that have yet to be acknowledged.

All that being said, we like volatility in the cases where we can own the upside (or downside, as the case may be) "for free." We use the term "convexity" to describe this circumstance. In structuring these investments, if the business or asset performs as expected, our investors do well. At the same time, if something negative develops, Arena still has the ability to positively benefit. On the negative side, this typically means having a significant margin of safety through underlying assets (e.g., 30%–40% value-at-risk below our capital) and the ability to crystallize that margin of safety by taking over and monetizing the asset. Historically, in cases where Arena does step in, we have made an additional ~6.25% annualized, relative to our underwritten return. But we also find other ways to structure downside convexity into the portfolio, including situations where we can gain exposure to investments in which a significant downside move in the markets would be a positive benefit to the portfolio (e.g., arbitrage positions within the capital stack of a highly indebted company, where one instrument is significantly mispriced relative to the others, and a hard catalyst exists) and where volatility shakes out sellers that permit us to add to positions where neither intrinsic value nor our path to profit crystallization has changed.

On the upside, we often create cheap optionality that could result in material gains should the situation perform better than expected (e.g., a company giving us warrants and/or convertibility as part of a loan). One such recent case (which is similar to several others that Arena has experienced over its history) was with an EV infrastructure company, where we structured a significant amount of optionality (via convertibility and warrants) into what are otherwise solid financings with positive cash flow, where fundamentals continue to improve, and where we have downside protection through secured liens. The shares we own traded over the counter at ~15 cents at the time of our first transaction (and our cost basis was materially less than this), and then, in December of 2021, they became unrestricted and the company uplisted to the NASDAQ. Those shares (as of December 31, 2022) traded at $1.24 (and the stock closed at $1.51 on January 13). Most of our position is in senior secured loans at 4.5x cashflow. That said, the value of our cheap optionality has fluctuated materially, while our downside protection has not changed. We are now moving toward exiting the position, including the majority of the basis through a refinancing of our indebtedness, which matures in 2023.

Another example is the fund's ownership of a handful of oil and gas companies acquired through foreclosure, where Arena's original loans were advanced based on proved developed producing reserves (i.e., the commodity that is flowing out of the ground) where our loan amounts were hedged (thus leaving Arena indifferent to commodity prices). When certain of our borrowers could not meet their obligations due to subpar operating management, we were able to recoup not only our interest and principal but also their prior equity value. In the case of oil and gas companies, one cannot be "fully" hedged, as prudence, as well as hedging counterparties, requires some "slack" lest an operationally driven reduction in production leave one "overhedged." As a lender, the brunt of this slack is borne by the borrowers. Once you foreclose on the borrower's equity, the good news is that you get their equity; the bad news is you now bear the burden of this slack.

In all of these cases, we own upside but not downside, although if and when those options hit, there could be a period between the recognition of value and our ability to exit, where there may be some volatility in the value of our "extra" gains. This is quite different from the situation with many asset managers, where downside volatility is typically more related to actual impairment, or worse, the permanent loss of capital (what we referred to as "category 3" above). However, it can "feel" the same on a month-to-month basis, if looked at superficially.

We should also mention that in recognizing the myriad possibilities going forward, we are also spending a small amount of premium (approximately 8 basis points per month, or 1% per year) on what we call "portfolio volatility protection"—i.e., tail risk hedge positions that would insulate the portfolio in the event of an extremely sharp and significant downside move in markets. Thus far (starting in the middle of 2022 through year-end), the return on these hedges has roughly matched the cost, and to the extent that we experience a sharp leg down commensurate with a market capitulation such as that in 2008, or a freeze in markets such as that we experienced in 1998, we would expect them to provide an asymmetric and negatively correlated return benefit to the portfolio.

The shift is now back to normal, with higher inflation and higher rates.

In an ever-increasing market, when there are temporary sell-offs, an investor would be well-served to smooth their marks, as has been the case in the vast majority of the $10 trillion global market for private investments. While this was not the initial basis for long-term investors making illiquid (and often very long-term) investments, as Rockefeller International's Ruchir Sharma captured well recently,[2] "What started as a sound idea has become an escape from something else entirely: reality." As Sharma puts it,

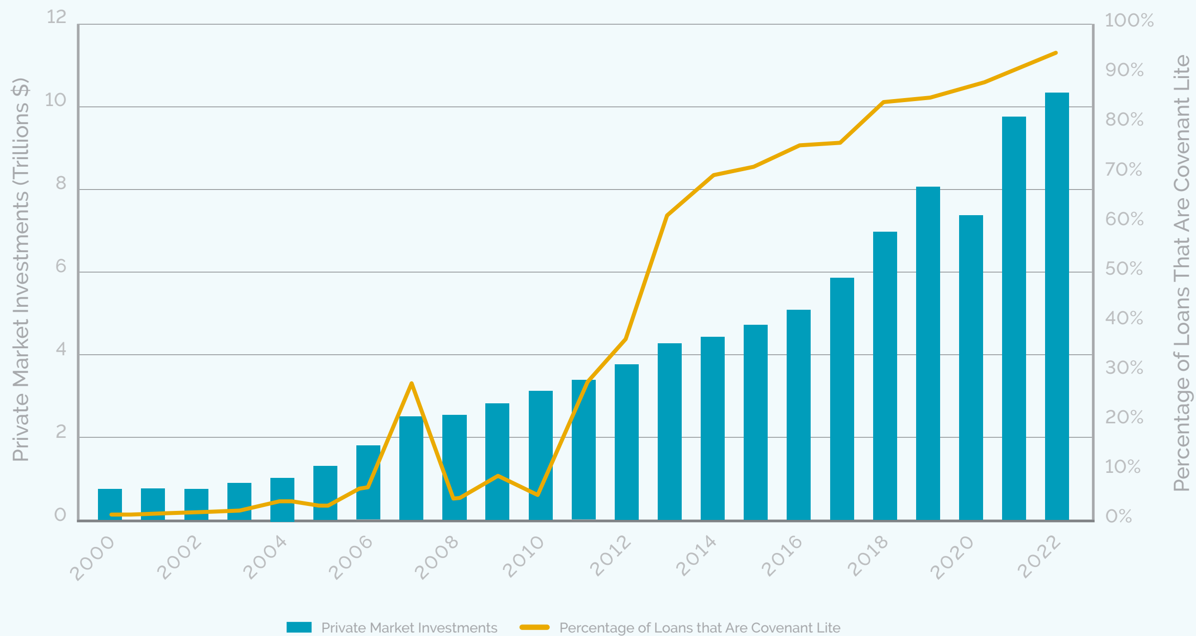
> *It is a conspiracy of silence, built on hope. The economic consensus is that Federal Reserve tightening may trigger a recession soon, but it will be shallow and short. If privates can hang on just a few more months, the conspiracy will have achieved its purpose, papering over losses in this bear market.*
>
> *This head-in-the-sand tactic has worked for many private funds in recent recessions. After public markets peaked in 2007, buyout funds delayed reporting until after recovery began in 2009, which meant they never had to reveal the full depth of their losses. And as Covid-19 spread in early 2020, private equity managers quietly bet that the market would recover before their clients could flee—and it did, instantly, when the Fed came to the rescue.*
>
> *But now, with inflation likely to be stickier than before, the easy money era is over. A new tight money era has begun. If the Fed does not come to the rescue quickly, the next downturn will not be short and shallow.*
>
> *There is no good idea that too much money can't spoil. Unlike Swensen and other pioneers of private investing, who bought low in private markets and sold high in public markets, private managers—flush with an overabundance of new funds—are chasing deals, buying high and hoping to sell even higher and running up record debt in the process. The typical company owned by a private equity firm has debts of more than five times its earnings, versus one to three times for publicly traded companies.*

Sharma goes on to note that nearly 100% of the loans to private funds to finance buyouts today are "covenant lite" (versus 0% a decade ago), the assets managed by private managers have risen elevenfold since 2000 (four times faster than equity managers), and private equity managers reported 3% gains thus far in 2022 (versus -20% or more for public markets, where companies are significantly less leveraged). Below is one of the many datasets showing the magnitude of the "covenant lite" percentage and private market asset growth Sharma notes.

Investor Cliff Asness also wrote recently[3] of the "mind blowing" possibility "that investors are accepting a discounted expected net return … for the privilege of not being told the prices." As we look across the universe, this phenomenon (where investment managers are presuming that their investors would rather have investments with declining intrinsic value but slow or non-moving marks) looks quite problematic to us. As an example, if you marked sponsor loans to where they have traded from the Wall Street desks in the fourth quarter, the average direct lending fund would be down 30%–40%, and the entirety of CLO equity would be wiped out 1.5 to 2 times over. We see this phenomenon in conventional private equity, leveraged loans, commercial real estate, CLOs, direct sponsor-backed lending, vanilla ABS, and all the other areas where the marks have not yet changed, but the losses are already massive.

(2) Sharma, Ruchir. "How Private Markets Became an Escape From Reality." *Financial Times*, 19 December 2022, https://www.ft.com/content/7416159d-fa24-4c97-b4a7-302696cd0ede.

(3) Asness, Cliff. "The Illiquidity Discount?" *AQR Perspective*, 19 December 2022, https://www.aqr.com/Insights/Perspectives/The-Illiquidity-Discount.



Sources: Private Market Investments from Prequin (2000-2019) and McKinsey (2020-current); Percentage of Loans That Are Convenent Lite from JPMorgan/LCD (2000-2007) and LCD/S&P Global (2007-current)

Arena's platform is constructed to avoid the two big risks.

For some time, we have pointed investors to two big risks we see that are both timeless but also pervasive in today's environment—idiosyncratic risk and moral hazard. We have constructed our investment platform around a multi-strategy offering designed to avoid these two big risks, but with a broader platform that can allow for capitalizing on adjacent point-in-time opportunities without subjecting our investors to moral hazard.

We believe a cardinal sin in the alternative investment space is the vast amount of capital that has been allocated to "hammers that only see nails," where there is pressure to deploy capital into a narrow mandate (e.g., airplane leasing), versus having the ability to freely and dispassionately assess whether that area presents a compelling opportunity without the pressure of funds awaiting a return in order to offset fixed expenses. The only thing we feel certain about is that all the areas in which we invest are only "episodically" compelling—we just do not know when they will be compelling (nor, frequently, do those people who are exclusively involved in these areas). Moral hazard has repeatedly destroyed investment enterprises over the years. We seek to avoid the moral hazard associated with these overly narrow investment management mandates through our diverse origination platform and joint venture partnerships, and by having investments compete their way into the portfolio based on their relative risk-adjusted return.

In terms of idiosyncratic risk, we build an overall portfolio that is highly diversified both in terms of the number of positions (limiting the downside from any idiosyncratic risk that might emerge) and also in terms of the internal lack of correlation among the positions (by industry/product/geography, etc.). This creates a portfolio that has been largely uncorrelated to the overall markets, as well as having an internal level of diversification that reduces the portfolio's exposure to any single idiosyncratic risk. This is in stark contrast to most private market offerings, a topic of a white paper we published last year entitled, "Diversification in Private Market Portfolios: The 'Free Lunch' That's Still Too Expensive."[4]

That said, we recognize points in time where an individual investment, or type of investment, while compelling, may be beyond the diversification limits of our core strategy. In those cases, we have offered investors "excess capacity" in opportunities in which we are already participating but which continue to grow in size.

(4) Available at: https://www.arenaco.com/wp-content/uploads/2022/05/Arena_Investors_Letter_Apr_2022.pdf.

One such example is our financing of the construction of affordable housing in New Zealand (where the government guarantees our downside), where we are currently raising capital for the next set of developments and anticipate further opportunities in 2023, and where, should the environment play out as we anticipate, further opportunities would be made available.

In addition, our broad sourcing channels allow Arena to see opportunities that do not meet the absolute threshold returns of our core strategy but, like everything else we pursue, have a compelling return-to-risk ratio. We provide these opportunities in our "stable income" strategies, currently in first-lien commercial mortgage bridge lending and esoteric investment-grade ABS bonds. Both through separately managed accounts and fund offerings, we continue to incrementally scale our exposure to such investments.

Finally, as noted above, we currently see far more opportunities than our total capital, with the expectation that the opportunity set will increase significantly over the next two to three years.

Arena continues to add middle and back office staffing and refine and improve our infrastructure.

As mentioned earlier, we have been adding significantly to our back office staffing and infrastructure. We started this effort at the beginning of 2021 and since then have hired more than 50 middle and back office staff, virtually all in middle-level and support roles, at our Bengaluru, India, and Jacksonville, Florida, offices.[7] Though about 40% of them have started in the last six months, these hires give our senior team members more redundancy and operational leverage and allow for continued improvements in streamlining our processes, further reducing our error rates, and significantly improving the quality and delivery times of our reporting. These efforts also include:

In Technology: The launch of a proprietary Private Credit Management System ("PCMS"), which is the equivalent of a credit management enterprise system for private investments. No such technology solutions exist externally (for clarity, we prefer to buy and integrate external software into our proprietary systems but have the capability to "build" when required), and so about a year ago, we embarked on this "build our own" effort. This system, to be launched in successive releases in 2023, will enable the standardization of processes and data management, which should meaningfully improve error minimization, information integrity, efficiency, and ultimately, the quality and timeliness of our internal and external reporting.

In Asset Servicing: Planning for a higher number of investments, we increased our staffing across all areas of asset surveillance and workout. We also hired a dedicated internal valuation specialist from IHS Markit who brings the capability and capacity to improve our valuation efficiency and timeliness. Our VP of Valuations leads a team in Bengaluru focused on standardizing our valuation processes and enhancing our risk identification and reporting.

In Finance: We recently hired a new tax director and brought on a new mid-level joint venture accountant, with additional junior Jacksonville and Bengaluru-based support staff. This was important, given our continued desire to access investments through hyper-aligned and variable cost efficient partnerships. We also added a new subgroup for portfolio accounting that sits between operations and finance, to translate the requirements of both teams to ensure more seamless communication. Finally, we added a new head of management company accounting, with additional Bengaluru support staff.

In Operations: We added significantly to the staff and also restructured our Bengaluru-based team around the deal lifecycle (closing, regular credit activity and the reorganization of active deals, and exit). PCMS will transform our loan operations for systematized processes that should also reduce error rates and add ongoing efficiency.

In Treasury and Financing: Arena was fortunate to have closed four financing facilities ahead of the year's end—and also ahead of a market environment that is likely to worsen in 2023. For our open-ended onshore

(7) And other non-major metro areas where employees work remotely and periodically commute to Jacksonville.

and offshore funds, corporate private loans, and real estate private loans, we now have appropriately priced, term non-recourse facilities that give us the ability to access a broader range of investments while optimizing return per unit of risk, and to manage treasury more optimally (i.e., turn cash drag into additional return in our funds). In onboarding these facilities, we have now added a dedicated junior treasury associate to handle these facilities in terms of the needed reporting, relationship management, and operational support as we continue to expand and add to these financing lines.

And finally, this has all been coordinated using a newly implemented institutional financial planning and analysis (FP&A) function including add-on project management resources. This function allows us to more capably plan and execute on the strategic development of the business while also having more granular internal reporting on the performance of our business units—enabling better resource allocation among our many other process-improvement initiatives.

In this environment, Arena's investments are only more compelling.

The environment supported by endless quantitative easing, zero interest rates, unprecedented asset growth, the "greater fool" always paying more for assets than the prior owner—with sellers' expectations based on arithmetic that assumes inexpensive cost of financing from banks, securitization market participants, and private equity—is over.

We believe we will see this unfold in three general buckets: (i) immediate/tactical, (ii) near-term and ongoing, (iii) just beginning and worsening by the day. In (i), we have seen trillions lost permanently in speculative nonsense, and this has translated into opportunities mostly in terms of liquid markets connected to equities where there is nowhere to hide and cash needs are immediate—PIPEs, convertible bond arbitrage, macro tail hedging, etc.

In examples of (ii), we are at the very beginning but fully focused on the rationalization of the global technology investing market as well as the trillions of opportunities arising from asset-liability mismatches in large-scale allocator assets in limited partnerships of every kind. These are economic cataclysms unfolding in real time. Many of these issuers—against all rational evidence to the contrary—continue to delude themselves. However, one by one, they all submit to the reality that financial gravity exists.

In (iii), we have the greatest potential reckoning and the slowest to come to reality: (a) the ecosystems of leveraged finance/CLOs/sponsor direct lending/private equity, (b) non-corporate structured finance and ABS, and (c) commercial mortgages/CMBS/CRE. In each case, the confluence of still-positive cash flows with government-eviscerated market-making capacity on Wall Street, trillions in asset-liability mismatched financial products, and enormous incentives throughout the value chain (including asset managers and their investors) toward willful blindness in their marks mean that (iii) has the prospects for being the largest but also the slowest implosion.

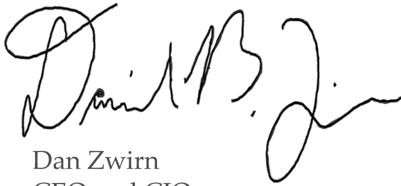
A combination of (ii) and (iii) has also uncovered the phenomenon of solid, yielding assets where we were priced out for several years coming back around in new issuance and new asset purchases. These include things like new issue middle market corporate loans, asset-based loans, shorter term commercial mortgage/bridge loans, tax liens, and many others. Even with financing now much more expensive than before due to rate increases, these areas have substantially improved in terms of return per unit of marginal attachment point of risk. While we cannot speak to the timing or probability of the eventualities we perceive, as reality sets in, we will pounce.

Given the uncertainty, our bar for any new investment is quite high—not only does an investment have to meet our return thresholds and be very compelling in return-to-risk terms, but we are also looking at the duration of the investment (with a preference toward shorter), the market correlation of the investment (all else being equal, not wanting traditional loan exposure where we are long the underlying), and favoring investments with higher current cash flow (to better optimize the month-to-month return profile of the funds).

As the reality of the current environment is recognized (i.e., market participants are forced to recognize investments that are actually impaired), we expect to see more compelling opportunities than we have since Arena started in 2015—particularly a scale of investments that meet all of our thresholds but that themselves require less labor per dollar deployed and are all the more scalable, given our approach. Meanwhile, the "everything bubble" is still historically large, monetary policy is still behind, and fiscal policy is still reckless—and, of course, inflation is still elevated (and frequently miscalculated through cherry-picking of the items in the "basket" by which it is measured). To paraphrase Warren Buffett, in the last several years we have been fearful while others have been greedy, and we are now becoming increasingly greedy as others become more fearful.

We look forward to catching up soon and are always available in the meantime, if you have any questions.

Best Regards,



Dan Zwirn
CEO and CIO

IMPORTANT DISCLOSURES

This document does not constitute investment advice nor is it a recommendation or an offer of investment advisory services or products. No person in any jurisdiction may treat this document as a solicitation or offer of any advisory product or service. A prospective investor must rely solely on the terms and associated disclosures in any final offering memoranda, investment management agreement, and associated subscription documents (if any), which would constitute the only basis upon which offerings of any product or service may be made.

This document describes Arena's multi-strategy approach unless stated otherwise.

The statements contained herein contain certain forward-looking statements that are based on our beliefs, as well as assumptions made by and information currently available to us. These forward-looking statements are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to investments, business prospects, future developments, trends and conditions in the industry and geographical markets in which we operate, our strategies, plans, objectives, and goals, as well as our ability to control costs, statements relating to prices, volumes, operations, margins, overall market trends, risk management, and exchange rates.

Investments in Arena vehicles are speculative in nature and involve risk. There can be no assurance that investment objectives will be achieved, and investment results may vary substantially over time. These investments are not intended to be a complete investment program for any investor. There is no secondary market for an investor's interest in Arena funds and none is expected to develop. Arena's funds are not registered under the Investment Company Act of 1940 and accordingly are not extensively regulated. Opportunities for redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. Leverage may be employed in the funds, which can make investment performance volatile. Valuation of the investments may involve uncertainties and the exercise of judgment. An investor should not make an investment unless the investor is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with investments may be higher than the fees and expenses of other investment alternatives and may offset profits, and the performance-based compensation paid to Arena may create an incentive for Arena to make more speculative investments than would otherwise be the case. Arena has total authority and control over its funds and the use of a single advisor applying generally similar investment programs could mean a lack of diversification and, consequently, higher risk. For a comprehensive list of risk factors, an investor must review the risk factors as specified in the related confidential information memorandum for a specific fund or investment management agreement, which will be made available upon request.

The information provided herein should not be considered a recommendation regarding a particular investment. The actual and potential investments discussed herein are meant to be examples of Arena's investment approach. It should not be assumed that any of the investments discussed herein will prove to be profitable, or that the investment recommendations or decisions made by Arena in the future will be profitable. A full list of all privately negotiated investments across Corporate Private Investments, Real Estate Private Investments, Structured Finance, European Private Investments, Asia-Pacific Private Investments, Corporate Securities is provided in the appendix to this document. The particular investments discussed herein are those that most closely represent the current average-sized Arena investments in a particular category (Corporate Private Investments, Real Estate Private Investments, Structured Finance, European Private Investments, Asia-Pacific Private Investments, Corporate Securities).

When used herein, the words "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would," and similar expressions, as they relate to the Group or the Group's management, are intended to identify forward-looking statements. These forward-looking statements reflect the Group's views at the time such statement were made with respect to future events and are not a guarantee of future performance or developments. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties.