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**March 28, 2019**

**This brochure provides information about the qualifications and business practices of Arena Capital Advisors, LLC (“Arena”). If you have any questions about the content of this brochure, please contact us directly at (310) 806-6700. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Arena is an investment advisor registered with the SEC. As a registered investment adviser, Arena is subject to the rules and regulations adopted by the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser is not an indication that Arena or its directors, officers, employees or representatives have attained a particular level of skill, training or ability.**

**Additional information about Arena is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2: Material Changes**

Although certain sections of this Brochure have been updated, there are no material changes since our last amendment in March 2018.

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#### Item 4: Advisory Business

Arena is an independent investment management firm specializing in fixed income; focusing primarily on the high yield and leveraged loan markets. We specialize in short duration high yield – our Portfolio Managers and partners have been investing in this asset class for an average of more than 30 years. Arena is a Delaware limited liability company that commenced operations in December 2013 and is a registered investment adviser with the SEC under the Investment Advisers Act of 1940, as amended.

Arena is owned by four members: Jeremy Sagi, Daniel Elperin, Sanije Perrett and Lawrence A. Post. Our leadership team and owners have an average of 30 years of industry experience and have worked together for many years, navigating a variety of market conditions.

Arena provides investment management services with respect to short duration high yield securities, including bank and bridge loans and some non-US investments. Arena may invest in a broad array of securities and reserves the right to pursue other investment strategies. Arena's services are primarily offered to institutional clients, private investment funds, high net worth individuals, foundations, pension plans, registered investment companies and other fund structures including, but not limited to, UCITS funds. Arena seeks to act as General Partner and/or investment manager to privately offered investment vehicles including but not limited to private funds ("Funds"), investment manager to clients that invest through separately managed accounts ("Managed Accounts"), and investment manager (or sub-adviser) to registered investment funds ("Investment Funds" and collectively with Funds and Managed Accounts, "client accounts").

#### Advisory Services

Arena provides investment advisory services with respect to one or more Funds, Managed Accounts and/or Investment Funds. In addition, Arena serves (or may in the future serve) as the investment adviser to one or more Funds which are not currently offered to new investors. Aside from their structure, these Funds may be more similar to a Managed Account than a Fund.

Arena generally has discretionary authority to manage the client accounts, including the authority to determine which investments are bought and sold and the amounts of such investments that are appropriate for each client. Arena intends to manage its investments in the Funds and/or Investment Funds pursuant to the investment strategy (or strategies) as detailed in the governing documents of the Funds or the Investment Funds, as the case may be. Any limitation on Arena's authority is described in the Fund or Investment Funds' governing documents. Prospective investors should carefully read a Fund's or Investment Funds' governing documents and consult with their counsel and advisers as to all matters concerning an investment in a Fund or Investment Fund.

In addition, Arena manages investments in the Managed Accounts pursuant to the investment strategy (or strategies) detailed in the client's investment management agreement or other similar documentation. Certain clients may impose restrictions on investing in certain types of securities or other constraints on how they desire Arena to invest their portfolio. Any restrictions or constraints are set forth in the investment management agreement or other similar documentation. Arena may tailor its services to suit a client's needs and stated investment objectives.

As of February 28, 2019, Arena manages approximately \$1.7 Billion in regulatory assets under management on a discretionary basis and \$0 regulatory assets under management on a non-discretionary basis.

## **Item 5: Fees and Compensation**

Arena offers its services for compensation primarily based on a percentage of assets under management and/or a performance allocation. Arena's fee schedules are set forth below.

### **Funds**

In consideration of the investment management services provided to a Fund, Arena generally receives an annual management fee equal to a percentage of the account balance of each Fund investor. Typically, the management fees are deducted from the capital account of each limited partner in the Fund. Management fees will generally be paid monthly in advance on the first day of each calendar month. For periods of less than a month, the management fee is prorated for the days remaining in that calendar month. Such management fees generally range from 0.40% to 0.75% per annum.

Arena may also receive performance-based compensation in arrears equal to a percentage of the net capital appreciation (i.e., realized and unrealized capital appreciation less realized and unrealized capital depreciation) of each investor's account in the Fund. The performance-based compensation is payable only if, and to the extent that, the net capital appreciation of the investor's account exceeds any net capital depreciation accumulated in prior years (as adjusted for withdrawals of capital), and in some cases may be conditioned upon achievement of a threshold return. Performance allocations are generally made annually as of December 31, but may be made more frequently upon the earlier withdrawal of an investor. Such fees are currently 10% per annum.

Arena, in its discretion, may waive, reduce, rebate, modify or otherwise calculate differently, all or a portion of the management fee and/or performance allocation as to an investor, or may agree with an investor to changes in the management fee or performance allocation. Arena may, in its discretion, offer different terms or fees that are not otherwise available to other Fund clients. Performance based compensation arrangements have been identified by regulators as having the potential to create an incentive to recommend investments which may be riskier or more speculative than those which would be recommended under a different compensation arrangement. Arena has controls in place that are designed to treat all clients fairly and equitably.

Each Fund generally bears certain expenses, including, but not limited to: administrative, legal, operating and other expenses (for example, brokerage commissions, borrowing or leverage related expenses, and audit and tax preparation costs).

Further information regarding the fees and expenses charged to a Fund may be found in the Fund's offering documents.

### **Managed Accounts and Certain Funds**

Arena's fees for Managed Accounts (and certain Funds) are determined on a negotiated basis based on several factors including, but not limited to, size of the account, servicing requirements and other

factors. Therefore, Managed Account fees paid by a particular client may vary from those set forth herein.

In consideration of the investment management services provided to a Managed Account, Arena will generally receive an annual management fee based upon the strategy selected. Arena's standard fee schedule is as follows:

#### Arena Short Duration High Yield Strategy:

Management fees for this strategy generally range from 0.40% to 0.75% per annum. Management fees and expenses are expressly set out in the investment management agreement or other similar documentation.

Management fees for Managed Accounts are typically paid quarterly in arrears by invoicing the client. However, other arrangements may be negotiated with certain clients. If a client terminates its investment management agreement (or other similar documentation) on a date other than the end of a calendar quarter, any management fee will be prorated for assets held in the Managed Account for less than a full quarter. In addition to the management fee, a Managed Account client may be responsible for other fees and expenses or charges incurred by or on behalf of the Managed Account which may relate, but are not limited to (i) custodial services provided for the Managed Account, (ii) transactions effected for the Managed Account, including brokerage and execution charges, markups and commissions, and (iii) any other service provided for the Managed Account by any person other than Arena. Fees and other reimbursable expenses are specifically set forth in the investment management agreement or other similar documentation.

Arena may also receive performance allocations from Managed Accounts on terms similar to those described above for the Funds.

#### Registered Investment Companies

The fees and compensation paid to Arena by each Investment Company are described in the Investment Company's prospectus. A copy of each Investment Company's prospectus is available through the SEC's website at:

[www.sec.gov/edgar/searchedgar/companysearch.html](http://www.sec.gov/edgar/searchedgar/companysearch.html).

The fees and compensation paid to Arena will be paid in accordance with Arena's investment management agreement with each Investment Company by deduction from each investor's account in the Investment Company on the day on which such fees and compensation accrue and become payable.

In addition to the fees and compensation described above, an Investment Company investor is responsible for the fees, expenses or charges described in the Investment Company's prospectus. Such fees, expenses and charges may include, but are not limited to, fees incurred for legal, audit and custodial services provided to the Investment Company and transactions effected for the Investment Company such as brokerage and execution charges, markups and commissions. For additional information regarding brokerage and execution charges, see Item 12 below.

## **Item 6: Performance Based Fees and Side-By-Side Management**

Arena manages its client accounts on a side-by-side basis, and, as more fully described in Item 5, certain clients pay only an asset-based management fee, and certain other clients also pay a performance-based fee. Potential conflicts of interest may exist when Arena buys or sells securities for multiple client accounts that have different fee structures. In order to address this conflict, Arena has adopted policies and procedures with the aim to ensure the fair and equitable treatment of all client accounts managed side-by-side.

Arena's Portfolio Managers generally manage multiple portfolios for various clients. When a Portfolio Manager manages more than one client account, a potential conflict exists for the Portfolio Manager to intentionally or unintentionally treat one account more favorably than another. This potential conflict can be most apparent when one portfolio has a higher fee or a different fee structure than another portfolio, including a performance-based fee. Another potential conflict may arise because Arena may manage the accounts of its principals and employees on a side-by-side basis with third-party client accounts. Arena has implemented policies and procedures designed to ensure that no one account (or group of accounts) is favored at the expense of another.

Arena's Trade Allocation procedures are designed to ensure that investment opportunities are allocated fairly among clients and that, over time, all clients are treated equitably. Various factors are taken into consideration as part of the allocation process which may include, but are not limited to: cash limitations or excess cash, account-specific investment restrictions, specific client instructions, existing portfolio composition and applicable industry, sector or capitalization weightings, account and trade order size, client sensitivity to turnover, tax considerations, regulatory restrictions, and client directed brokerage agreements.

Arena will generally (but is not obligated to) combine or "batch" trade orders for multiple clients and Arena's own proprietary accounts in an effort to obtain best execution, to negotiate more favorable commission rates, mark-ups or other transactions costs, or to allocate equitably among Arena's clients and Arena's own proprietary accounts differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently.

Under this procedure, to the extent practical, transactions will be averaged as to price and transaction costs and typically will be allocated among participating accounts in proportion to the purchase and sale orders placed for each participating account (or group of participating accounts) on any given day.

If Arena cannot obtain execution of all the combined orders at prices or for transaction costs that Arena believes are desirable, Arena will allocate the securities it does buy or sell as part of the combined orders by following Arena's order allocation procedures, provided that over time no client account (or group of client accounts) shall be treated less favorably than any other client accounts (or group of client accounts) managed by Arena (including its own proprietary accounts) with respect to any such allocations.

If Arena charges performance based compensation, such arrangements will be structured to comply in all material respects with Rule 205-3 of the Investment Advisers Act of 1940, as amended.

## **Item 7: Types of Clients**

Arena provides or may in the future provide investment advisory services to US and non-US clients, including but not limited to: public or private pension plans, Funds, high net worth individuals, foundations, trusts, charitable organizations, Investment Companies and other investment funds.

#### Private Funds:

Arena serves as General Partner and investment manager to certain private funds. Arena generally requires investors in a private fund to make a minimum initial investment of at least \$2,000,000. Details with respect to minimum investments are generally set forth in the private fund's offering documents. The minimum contribution may be waived or reduced by the General Partner in its sole discretion.

#### Certain Other Funds and Investment Companies:

Arena may, or may in the future, provide investment management services to certain other types of Funds and/or Investment Companies. The minimum investments (if any) for these Funds will be described in the governing documentation.

#### Managed Accounts:

Arena generally requires a minimum of \$30 million to open a Managed Account. The Managed Account minimum and other requirements may be waived or reduced by Arena in its sole discretion.

### **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

#### Methods of Analysis:

We focus on bottom-up fundamental research and analysis and emphasize downside protection throughout the investment process. Key elements of Arena's investment process include:

- **Idea Generation:** We utilize a variety of sources for idea generation, such as market news and updates, analyst reviews of sectors and existing holdings' capital structures, and proprietary analytics.
- **Fundamental Analysis:** As part of our analysis, we incorporate a multi-dimensional view on risk that includes but is not limited to credit, macro-economic, market (beta), security-specific, technical, and curve (interest rate) risks. Our research and analysis is augmented by the application of our proprietary tool, the Arena Rate Card (the "ARC model"). The ARC model takes into account a number of factors, including ratings, company balance sheet metrics, liquidity and interest rate sensitivity and exposure.
- **Security Selection:** Our investment process is collaborative. Throughout the investment process, Analysts are involved in iterative discussions with the Portfolio Managers which help to challenge the analyses, identify factors that may impact an investment or portfolios as a whole, and solidify an overall view of the relative attractiveness of potential investments. Security selection is based on a variety of factors, including our internal screening model, quantitative and qualitative research, the ARC model, market conditions, and situation specific research.



- **Active Management:** Because risk management lies at the core of our strategy, our assessments continue throughout the life cycle of our investments as we actively manage portfolios and seek to take advantage of market dislocations to enhance performance.

#### Investment Strategy:

Arena's Short Duration High Yield Strategy (the "Strategy") seeks to generate attractive risk-adjusted returns through bottom-up fundamental analysis and active management with an emphasis on capital preservation.

The Strategy invests primarily in short duration high yield corporate bonds and leveraged loans. We actively manage our portfolios, seek to identify the best risk/reward opportunities with intensive research and construct diversified portfolios focusing on downside protection and reduced volatility.

Arena generally analyzes securities in the BofA Merrill Lynch 0-5 Year US High Yield Constrained Index and Barclays US Corporate High Yield 1-5 Year Index. In addition, we may analyze off-benchmark securities (including leveraged loans) and busted convertible bonds.

#### Investment Strategy Risks & Risk of Loss:

Opening an account with Arena is intended for sophisticated investors who can accept a high degree of risk in their portfolio, do not need regular current income from their investment and can accept a potential loss of their entire investment. Investing in securities and loans involves a risk of loss that clients should be prepared to bear.

Investment risks specific to investments in a Fund or Investment Fund are more fully described in the Fund's offering documents, or prospectus in the case of an Investment Fund, and Fund and Investment Fund investors should carefully review such documents prior to investing. Managed Accounts are offered only to large, sophisticated clients that generally have their own investment staff and/or consultants that understand the risks involved in an investment strategy and are in a position to customize the Managed Account investment guidelines accordingly.

The following is a non-exhaustive list of some of the risks involved in the types of investments commonly included in Arena client account portfolios:

- ***General Investment and Market Risks.*** There can be no guarantee of the success of Arena's investment strategy and the client accounts' activities may be significantly and adversely affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the accounts' investments. Unexpected volatility or illiquidity could impair the accounts' profitability or result in losses.
- ***Risks of Fixed-Income Securities.*** Fixed-income securities are subject to credit and interest rate risks. "Credit risk" refers to the likelihood that an issuer will default in the payment of principal and/or interest on an instrument. Financial strength and solvency of an issuer are the primary factors

influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risk may change over the life of an investment and securities which are rated by rating agencies are often reviewed and may be subject to downgrade. "Interest rate risk" refers to the risks associated with market changes in interest rates. Interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a less degree (depending, however, on the characteristics of the reset terms, including, without limitation, the index chosen, frequency of reset and reset caps or floors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

- *Non-Investment Grade Debt Securities.* Arena's client accounts will invest in debt securities that are generally rated below investment grade by one or more credit rating agencies. These investments may include securities of companies that are financially leveraged or troubled or potentially troubled (e.g., securities of stressed and distressed companies and may be currently or have recently been involved in restructuring, bankruptcy reorganization or liquidation). These securities, often referred to as high yield debt securities, are considered speculative and, while generally offering greater income than investments in higher quality securities, involve greater risk of loss of principal and income, including the possibility of default or bankruptcy of the issuers of such securities, and have greater price volatility, especially during periods of economic uncertainty or change. These lower quality bonds tend to be affected by economic changes and short-term corporate and industry developments, as well as public perception of those changes and developments, to a greater extent than higher quality securities, which react primarily to fluctuations in the general level of interest rates. As a result, the client accounts may lose all or substantially all of their investment in any particular instance.
- In addition, the market for lower-rated debt securities may be thinner and less active than that for higher rated debt securities, which can adversely affect the prices at which the lower-rated debt securities are sold. If market quotations are not available, lower-rated debt securities may be valued by Arena in its sole and absolute discretion. Judgment plays a greater role in valuing high yield corporate debt securities than is the case for securities for which more external sources for quotations and last sale information is available. Adverse publicity and changing investor perception may also affect the availability of outside pricing services to value lower-rated debt securities and the client accounts' ability to dispose of these securities. In addition, such securities generally present a higher degree of credit risk. Issuers of lower-rated debt securities are often highly leveraged and may not have more traditional methods of financing available to them so that their ability to service their obligations during an economic downturn or during sustained periods of rising interest rates may be impaired. The risk of loss due to default by such issuers is significantly greater because below investment grade securities generally are unsecured and frequently are subordinated to the prior payment of senior indebtedness.
- *High-Yield Bank and Bond Debt.* High-yield investments are generally not exchange traded and, as a result, these instruments trade in a smaller secondary market than exchange-traded bonds. In addition, the client accounts may invest in bonds and bank debt of issuers that do not have publicly traded equity securities, making it more difficult to hedge the risks associated with such

investments. High-yield investments that are below investment grade or unrated face ongoing uncertainties and exposure to adverse business, financial or economic conditions. The market values of certain of these non-investment grade and unrated debt investments tend to reflect individual corporate developments to a greater extent than do higher-rated investments, which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated investments. Companies that issue such investments are often highly leveraged and may not have available to them more traditional methods of financing. It is possible that a major economic recession could severely disrupt the market for such investments and may have an adverse impact on the value of such investments. In addition, it is possible that any such economic downturn could adversely affect the ability of the issuers of such investments to repay principal and pay interest thereon and increase the incidence of default of such investments.

- *Bank Loans and Participations.* The client accounts' investment programs may include investments in bank loans and participations. These obligations are subject to unique risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called "lender liability" claims by the issuer of the obligations, (iii) environmental liabilities that may arise with respect to collateral securing the obligations, and (iv) limitations on the ability of the client accounts to directly enforce their rights with respect to participations. In analyzing each bank loan or participation, Arena compares the relative significance of the risks against the expected benefits.
- *Second-Lien and Unsecured Loans.* In addition to the special risks generally associated with investments in bank loans described above, investments in second-lien and unsecured bank loans will entail additional risks, including (i) the subordination of the client accounts' claims to a senior lien in terms of the coverage and recovery from the collateral and (ii) with respect to second-lien loans, the prohibition of or limitation on the right to foreclose on a second-lien or exercise other rights as a second-lien holder, and with respect to unsecured loans, the absence of any collateral on which the client accounts may foreclose to satisfy its claim in whole or in part. In certain cases, therefore, no recovery may be available from a defaulted second-lien loan or unsecured loan.
- *Unregistered Securities.* Unregistered securities generally may be resold only in a public offering registered under the Securities Act, under Rules 144 or 144A under the Securities Act or pursuant to any other exemption from registration under the Securities Act. The resulting difficulties and delays could result in the client account's inability to realize a favorable price upon disposition of unregistered securities, and in some cases might make such disposition at the time desired by the client account impossible. Also, when the client account decides to have unregistered securities registered prior to sale and does not have a contractual commitment from the issuer to pay registration costs, the gross proceeds from the sale of the securities would be reduced by those costs and any underwriting discounts.
- *Convertible Investments.* The value of convertible investments, such as convertible bonds, may be adversely affected by changes in interest rates. Furthermore, the investment value of convertible investments may be adversely affected by the credit rating of the issuer and the issuer's ability to make payments of principal and interest (in the case of debt instruments) and the issuer's ability to redeem its shares and pay dividends (in the case of preferred stock). Convertible investments may be subject to mandatory prepayment or redemption, either of which could have an adverse effect on the Fund's ability to fully realize the value of a convertible investment.

- *Non-U.S. Securities.* The client accounts may invest in non-U.S. securities, some of which may not be registered under the Securities Act. Issuers of non-U.S. securities are not subject to United States reporting and accounting requirements. Investment in non-U.S. securities involves considerations and possible risks not typically involved with investment in the securities of U.S. issuers, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the United States or elsewhere) or changed circumstances in dealings between nations. Non-U.S. accounting requirements may result in less information being available or in a lack of uniformity in the manner in which information is presented. The risk of material misstatement in financial reports may be substantially higher. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend or interest payments, or the imposition of capital gains taxes) or confiscatory taxation may also affect investment in non-U.S. securities. Higher expenses may result from investment in non-U.S. securities than would from investment in U.S. securities because of the costs that must be incurred in connection with conversions between various currencies and non-U.S. brokerage commissions that may be higher than the United States. Non-U.S. securities markets also may be less liquid, more volatile and less subject to governmental supervision than in the United States. Investments in non-U.S. countries could be affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.
- *Currency Risks.* The client accounts may allocate their investments among securities denominated in foreign currencies. The client accounts may incur price spread on currency exchange, particularly when the client accounts change investments from one country to another. Also, some countries may adopt policies which would prevent the client account from transferring cash out of the country, or withhold portions of interest and dividends at the source. There is the possibility of cessation of trading on national exchanges, expropriation, nationalization or confiscatory taxation, withholding and other foreign taxes on income or other amounts, foreign exchange controls (which may include suspension of the ability to transfer currency from a given country), default in foreign government securities, political or social instability, or diplomatic developments that could affect investments in securities of issuers in foreign nations.
- The client accounts may be affected either unfavorably or favorably by fluctuations in the relative rates of exchange between the currencies of different nations, by exchange control regulations and by indigenous economic and political developments. Some countries in which the client accounts may invest also may have fixed or managed currencies that are not free-floating against the U.S. dollar. Further, certain currencies may not be internationally traded. Certain of these currencies have experienced a steady devaluation relative to the U.S. dollar. Any devaluations in the currencies in which the client account's portfolio securities are denominated, including for the avoidance of doubt, the U.S. dollar, may have a detrimental impact on the client account.
- The client account's investments that are denominated in a non-United States currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Arena may seek to hedge against currency risk through the use of foreign currency forward contracts or other financial instruments, but is generally not required to do so.

- *Forward Exchange Contracts.* The client accounts may enter into various types of forward contracts. Forward trading involves contracting for the purchase or sale of a specific quantity of, among other things, a financial instrument at a specified price, with delivery and settlement at a specified future date. Such transactions may be effected on non-U.S. dollar denominated instruments owned by the account, sold by the account but not yet delivered, or committed or anticipated to be purchased by the account.
- Should exchange rates move in an unexpected manner, the client account may not achieve the anticipated benefits of the transaction, or it may realize losses. Forward contracts and options thereon are not traded on exchanges and are not standardized. Rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated. There is no limitation on daily price movements, and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies, commodities or instruments they trade and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies, commodities or instruments, or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the client account due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to less than that which Arena would otherwise recommend, to the possible detriment of the account. Market illiquidity or disruption could result in major losses to the account. Arena intends to engage in forward trading primarily for the purpose of hedging against currency risks described above.
- *Hedging Strategies.* Special risks are associated with the use of options, futures contracts and swaps as hedging techniques, including fluctuations in the volatility of the underlying security, fluctuations in prevailing interest rate and a lack of correlation between price movements in the hedging vehicle and in the portfolio securities being hedged which may result in a loss on both the hedged securities and the hedging vehicle. In addition, a decision as to whether, when and how to use a particular hedging strategy involves the exercise of skill and judgment which are different from those needed to select portfolio securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. If Arena is incorrect in its forecasts relating to a hedge, a client may be in a worse position than if Arena had not engaged in the hedging transaction. The potential loss incurred by a client in swaps, futures and writing options on futures is unlimited. There can be no assurance that a liquid market will exist at a time when Arena, on behalf of a client, seeks to close out an option position or futures or swap contract.
- *Leverage.* The use of leverage by buying securities on margin or use of certain derivatives is a speculative technique that involves special risk considerations. Interest costs on borrowings may fluctuate with changing market rates of interest and may partially offset or exceed the return earned on borrowed funds. Interest on borrowings will be an expense of a client account and will affect the investment performance of the client account. To the extent a client account is leveraged, the value of its assets will tend to increase more when its portfolio securities increase in value, and to decrease more when its portfolio securities decrease in value, than if its assets were not leveraged.

- *Portfolio Management.* The performance of a client account depends on the skill of the adviser and its portfolio manager(s) in making appropriate investment decisions. There can be no assurance that a client account will achieve its investment objective.
- *Portfolio Turnover.* Buying and selling securities generally involves some expense to a client account, such as commissions and other transaction costs. Generally, the higher an account's portfolio turnover, the greater its brokerage costs and the greater the likelihood that it will realize taxable capital gains. Increased brokerage costs may adversely affect a client account's performance.
- *Highly Volatile Markets.* The prices of investments held by a client account can be highly volatile. Price movements of forward contracts, futures contracts and other derivative contracts in which Arena may invest client assets are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies.

#### **Item 9: Disciplinary Information**

None

#### **Item 10: Other Financial Industry Activities or Affiliations**

Arena acts as General Partner for certain Funds. There are times that Arena will offer clients the opportunity to invest in Funds that it manages.

Arena Management, LLC, a related person of Arena, acts as the manager of a Fund not currently offered to new investors.

Arena is not seeking registration as a broker-dealer, however, in certain circumstances its employees may be registered representatives of a broker-dealer. Neither Arena, nor any of its employees, hold any registrations as a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person.

Arena has no material relationships with any affiliates and does not recommend other investment advisors.

#### **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

##### **Code of Ethics**

Arena has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code sets forth standards of business conduct that employees of Arena are required to adhere to. The Code is circulated at least annually to all employees, and each employee must certify in writing that they have received and followed the Code and any material amendments thereto.

The Code also sets forth Arena's policies and procedures with respect to material, non-public information and other confidential information, personal security transactions and gifts and entertainment.



The complete Code is available to any client or prospective client upon request.

#### Participation or Interest in Client Transactions

Arena may solicit qualified clients to invest in a Fund or other investment vehicle sponsored or managed by Arena (each, an “Adviser-related fund”). Because of the relationship between Arena and any Adviser-related fund, Arena could be considered to have recommended the investment as suitable for a client if such person should invest in the Fund. Arena will inform each client of its relationship with an Adviser-related fund prior to the client’s investment, but does not intend to advise clients as to the appropriateness of the investment and will not receive any compensation for doing so or for selling interests in an Adviser-related fund (except to the extent that Adviser receives management fees and performance-based compensation from Fund investors).

#### Cross Trades

Periodically, Arena’s Portfolio Managers may determine that it is in the best interests of its clients to seek to adjust or rebalance client accounts (including accounts in which Arena or its principals or employees may in the aggregate hold a non-controlling interest) by effecting cross-trades between or among client accounts (i.e., causing one or more client accounts to sell securities to one or more other client accounts). In effecting such cross-trades, Arena seeks to reduce the transaction costs to its clients of such account adjustments. All such cross-trades will be consistent with the investment objectives and policies of each client account involved in the trades, and will be effected at the current independent market price of the securities involved in the trades. Such cross-trades may be effected through Arena or a broker-dealer. The client accounts involved in such cross-trades will not pay any brokerage commissions or mark-ups in connection with the trades (to the broker-dealer or Arena), but shall reimburse the applicable broker-dealer (if the cross-trade is effected through such broker-dealer) for any customary transfer fees (i.e., aggregate ticket charges) that such broker-dealer incurs and that are assessed by any other broker-dealers through which such broker-dealer effects the trades. Arena will not receive any special compensation for effecting a cross trade. Arena will seek to comply in all material respects with all applicable legal and regulatory requirements in effecting cross trades including, without limitation, the applicable requirements of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Managed Account clients may revoke cross-trade approval at any time by providing written notice to Arena.

#### Personal Trading

Arena believes that if investment goals are similar for clients and for employees of Arena, it is logical and even desirable that there be common ownership of some securities. At the same time, the firm recognizes that there is a risk that employees may compete with client accounts or otherwise engage in personal securities transactions at the expense of a client’s interest. In order to help mitigate these risks, Arena’s Code requires that all such transactions be carried out in a way that does not endanger the interest of its clients. The Code establishes certain black-out periods, pre-trade clearance procedures and securities transaction reporting that are designed to permit the monitoring of transactions in employees’ personal accounts and prevent conflicts that may arise between employees’ personal securities transactions and transactions for clients of Arena.

#### Aggregation of Orders

Arena will generally (but is not obligated to) combine or “batch” trade orders for multiple clients and/or Arena’s own proprietary accounts in an effort to obtain best execution, to negotiate more favorable commission rates, mark-ups or other transactions costs, or to allocate equitably among Arena’s clients and Arena’s own proprietary accounts differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently.

If Arena cannot obtain execution of all the combined orders at prices or for transaction costs that Arena believes are desirable, Arena will allocate the securities Arena does buy or sell as part of the combined orders by following Arena’s order allocation procedures which are designed to ensure that over time no account (or group of accounts) shall be treated less favorably than any other account (or group of accounts) managed by Arena (including its own proprietary accounts) with respect to any such allocations.

Arena’s Trade Allocation procedures are designed to ensure that investment opportunities are allocated fairly among clients and that, over time, all clients are treated equitably. Various factors are taken into consideration as part of the allocation process which may include, but are not limited to: cash limitations or excess cash, account-specific investment restrictions, specific client instructions, existing portfolio composition and applicable industry, sector or capitalization weightings, account and trade order size, client sensitivity to turnover, tax considerations, regulatory restrictions, and client directed brokerage agreements.

## **Item 12: Brokerage Practices**

### **Best Execution**

In selecting broker-dealers, Arena has a duty to seek “best execution” for such transactions. In selecting a broker for any transaction, Arena may consider a number of factors, including, for example, the broker’s trading expertise, reputation, financial strength, ability to maintain confidentiality of a trading program, responsiveness, fairness in resolving disputes, ability to execute aggregated transactions, efficiency of execution and error resolution, volume discounts, current market conditions, and the timing and size of a particular order. Arena will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction.

### **Research and Other Soft Dollars**

There may be circumstances in which Arena directs a portion of client commissions to particular brokerage firms in exchange for providing investment research services; this is commonly referred to as “Soft Dollars.” Soft Dollars are used to purchase proprietary investment research services generated by a broker-dealer who executes a transaction and are included in the cost of such transactions.

In the event that we were to engage in Soft Dollar arrangements, we will make a good faith determination that the products or services offered by the broker-dealer are eligible under Section 28(e) of the Securities and Exchange Act of 1934. Such considerations may include, but are not limited to, determination of whether those services provide lawful and appropriate assistance in the performance of the investment decision-making responsibilities, the amount of commission paid is reasonable in light of the value of products and services that are being obtained and that such price is reasonable in relation to the value of the brokerage and research services received.



Arena will seek to follow guidance provided to investment managers pursuant to Section 28(e) of the Securities Exchange Act of 1934 (the "Act").

#### Directed Brokerage

There are instances where a client may make a specific request that Arena utilizes a particular broker-dealer (or a selection of particular broker-dealers) for certain transactions executed by Arena. In these circumstances, the costs for the transaction(s) on the client's behalf are borne by the client. Clients are advised that instructing Arena to utilize a particular broker-dealer (or particular broker-dealers) may impede Arena's ability to obtain best price and execution and may cost clients more money (since, for example, Arena may not be able to aggregate orders to reduce transaction costs, or the selected broker-dealer(s) may offer less favorable prices). Any client providing instructions to Arena regarding direction of brokerage transactions must notify us in writing if the client desires Arena to cease executing transactions with or through any such broker or dealer.

#### Cross Trades

See Item 11 above.

#### Aggregation of Orders

See Item 11 above.

### **Item 13: Review of Accounts**

Client accounts are reviewed by the Portfolio Managers on an ongoing basis. The Portfolio Managers monitor the investments that are purchased for the portfolio using fundamental and technical analysis. Risk and ratings screens assist in staying within client guidelines and restrictions, and the Portfolio Managers also utilize our automated compliance system to view various levels in the portfolio. Particular attention is given to changes in company fundamentals, industry outlook, market situation, general economic trends, and relative/absolute valuation levels.

In addition, Arena utilizes an automated compliance system to assist in monitoring client accounts for compliance with investment guidelines and regulatory restrictions. Regulatory, firm and client guidelines and investment restrictions are coded into this system. Potential violations of any of the above will result in a notification to Compliance. Each alert is reviewed, researched and, where appropriate, cleared by Compliance. Where necessary, Compliance will consult with the Portfolio Manager or trading desk regarding the issue. Any alerts that cannot be cleared are addressed with an appropriate remedial response (for example, the investment may be reallocated out of the account).

#### Client Reports

Arena or the third party qualified custodian of each client account will generally transmit unaudited monthly or quarterly performance reports and/or account statements to clients. Private fund investors (except for certain funds not currently offered to new investors) also receive annual audited financial statements and, if necessary, annual tax information for completion of its individual tax returns. Arena may make the reports available in hardcopy or solely via electronic transmission unless otherwise requested by a client.

#### **Item 14: Client Referrals and Other Compensation**

Arena may enter into arrangements with broker-dealers or investment advisors that are referred to as Referral Agreements. Such solicitors are engaged as independent contractors and are generally compensated based on a percentage of the management fee collected from such referred clients. To the extent required, such agreements shall be entered into in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

#### **Item 15: Custody**

##### **Private Funds**

While Arena will not maintain physical possession of the funds or securities of any Fund, Arena, as the General Partner of certain private funds, has authority to direct the qualified custodian to transfer funds and securities in a private fund's portfolio and pay out the management fees and performance-based compensation. As such, Arena is deemed to have custody of assets for these private funds under Rule 206(4)-2 of the Advisers Act, and adheres to the applicable requirements of such Rule. Custody of the assets of such private funds is maintained with at least one qualified custodian selected by Arena, as set out in the private funds' offering documents. In addition, private fund investors receive certain reports, including monthly unaudited account statements from the private fund administrator and a copy of the private fund's audited financial statements on an annual basis. Private fund investors should carefully review these statements and compare them to account statements (if any) received from Arena.

##### **Certain Other Funds, Managed Accounts and Investment Funds**

Arena generally does not maintain possession or custody of the funds or securities placed in certain other Funds, Managed Accounts or Investment Funds. Rather, such clients will typically select their own custodian to maintain custody of their funds and securities. Arena's discretion as investment adviser gives us trading discretion over these funds and securities; however, Arena does not hold such funds or securities in its possession or have the authority to obtain possession of them. Arena generally invoices Managed Accounts and Investment Funds for management fees and/or performance allocations owed to Arena. In the event that Arena does have custody of a Fund, Managed Account or Investment Fund's funds or securities, Arena will work to ensure its obligations under Rule 206(4)-2 of the Advisers Act are met.

#### **Item 16: Investment Discretion**

As the investment manager for client accounts Arena generally has discretionary authority to make purchases and sales in client accounts without obtaining the prior consent of the client. Such discretionary authority and any limitations on Arena's discretion are set forth in the investment management agreement and/or other similar documentation. Arena's discretion is conducted in a manner that is consistent with the stated objectives and guidelines in such documents.

#### **Item 17: Voting Client Securities**

Generally, and except to the extent that a client otherwise instructs Arena in writing, Arena shall vote (by proxy or otherwise) in all matters for which a shareholder vote is solicited by, or with respect to, issuers of securities beneficially held by a client account. When voting proxies or acting on corporate

actions, Arena's primary concern is that all decisions be made in the best interest of its clients as a whole. Arena will act in a manner deemed prudent and diligent and which is intended to enhance the value of client assets.

Where a proxy proposal or corporate action raises what Arena believes to be a material conflict of interest between Arena and a client, Arena will (i) disclose the conflict to the client and obtain its consent to the proposed vote prior to voting the securities, (ii) vote the securities based on the recommendation of an independent third party, or (iii) take such other action as may be appropriate given the particular facts and circumstances. In addition, a client may direct Arena how to vote in a particular solicitation by providing instructions to Arena prior to the date such vote is due.

To request a copy of Arena's proxy voting policies and procedures or to obtain information on how securities were voted on behalf of a client's account, clients may contact Arena's Client Services Department at (310) 806-6700.

#### **Item 18: Financial Information**

Arena has no financial conditions that are reasonably likely to impair its ability to meet contractual commitments to its clients and Arena has not been the subject of a bankruptcy petition in the last ten years.