



Constantia Capital Merger-Arbitrage Strategy

December 2025 Commentary

Our composite returned 0.69% in December, bringing full year returns to 11.06%, 6.65% annualized for the past 5 years and 5.59% annualized in slightly over 14 years since inception.

In world markets, the All-Country World Index (equities) gained 22.9%, led by Developed International and Emerging Market stocks, both up more than 30% for the year. Part of that gain was helped by a falling US Dollar. US stocks had a solid year, with the S&P 500 posting returns of 17.9%. (The US makes up approximately 65% of the index.) The Bloomberg Aggregate Bond Index posted returns of 7.3% for the year. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 16.5% for the year. One of highlights of the year was the surge of many commodity metals prices, with copper, gold and silver all hitting new all-time highs and silver more than doubling.

Our Merger-Arb composite had its best annual returns in our 14-year history. The goal for our Merger-Arb strategy is to exceed short-term cash investments by 2% to 3% per year. We exceeded that goal by a significant amount as 3-month SOFR and all the major money market funds returned close to 4.2% for the year. Further, our composite was ahead of the average of eight Merger-Arb mutual funds and ETF's that we track by 400 bps. Hedge fund returns for December are not available as of this writing, but through the end of November our composite was 125 bps ahead of the Merger-Arbitrage category average as tracked by Bloomberg.

For the year, our strategy invested in 509 different deals. Some of those were leftover deals from 2024 and some will continue into 2026. We made money in approximately 77% of those investments. A number of high profile companies were acquired, notably Hess Corp, Walgreens Boots Alliance, US Steel, Kellanova and Interpublic Group.

From a Merger-Arbitrage perspective, 2025 might be best remembered for an unusually large number of deals in general and an above average number of bidding wars. Under the Trump administration, the anti-trust regulatory environment in the United States became more permissive compared to the Biden administration, especially in the banking sector.

Some of the highlights and lowlights of the year for our Merger-Arb strategy were:

- The best contributing deal of the year was Satixfy Communications, an Israeli communications satellite operator acquired by MDA Space of Canada. The original deal price was \$2.10, but after a counter-bid of \$2.50, MDA "sealed the deal" by increasing their bid to \$3. The resulting contribution was 69 bps.

- Dallas News was acquired by Hearst Communications in a deal that closed after shareholders voted in favor of the Hearst bid of \$16.50 per share, despite a higher competing bid of \$20 per share. The original bid by Hearst was \$14, which was increased twice as Dallas News became the target of a bidding war. Ultimately, the Hearst bid won due to a multi-class voting structure and commitment by the Dallas News founder's (and majority holder of Class A shares) unequivocal support for Hearst, despite the lower price. The contribution was 28 bps.
- Avadel Pharmaceuticals agreed to be acquired by Alkermes for \$18.50 and a Contingent Value Right (CVR) based on the performance of their drug for excessive daytime sleepiness. The stock rose 22% when Danish pharmaceutical company H. Lundbeck announced an unsolicited bid at \$21 plus a CVR. Alkermes matched the \$21 bid, and a week later Lundbeck announced they would not be making a new bid. Avadel fell slightly on that news, but in aggregate the mini bidding war resulted in a contribution of 30 bps.
- Boeing agreed to acquire Spirit Aerospace, the supplier of fuselages. Spirit had been spun off from Boeing many years ago, but the acquisition was announced after a high-profile accident and the perceived need for Boeing to have more control over the quality of the components in its airplanes. The deal was structured with a "collar", and trading around the upper bound of the collar resulted in a contribution of 28 bps.
- Electronic stockbrokerage and cryptocurrency platform Robinhood is acquiring Wonderfi Technologies, a Canadian "Defi" (decentralized finance software developer). Canadian antitrust and shareholder approvals have been obtained, but the expected close of the deal has been pushed back by six months from the end of 2025 due to "additional development work" and resultant regulatory approvals. The stock fell on the delay, resulting in a negative impact of 25 bps. During December, the companies revised the "walk date" to June 2026, mitigating some of the loss.
- Cross Country Healthcare, a healthcare staffing company, was acquired by Aya Health. Antitrust regulators had issued a "second request" for more information during February and then brought suit to block the deal. As always, we respect the wisdom of the markets and reduced our position as the riskiness of the deal increased, realizing losses. However, toward the end of the year, the companies prevailed in court. Nevertheless, the negative impact was 40 bps.
- FirstFarms, a Danish farming company, announced an outbreak of Foot and Mouth disease on one their farms days after Constantinsborg, a private equity firm, had offered to take the company private. The private equity firm withdrew the offer on the news, resulting in a negative 20 bps impact.
- The highest profile deal in the portfolio currently is Warner Bros Discovery, officially being acquired by Netflix, although Paramount (backed by the Ellison family) has made a counter-bid. The deal has contributed 12 bps so far.

New deal announcements were a healthy 359 for the year, while 343 deals closed or were terminated. Diversification is well above average with 127 deals in the portfolio, although lower than



140 at the start of the year. Leverage has fallen to approximately \$115 of long positions per \$100 of capital compared to \$130 at the start of 2025.

Constantia Capital Merger-Arbitrage: Performance as of Dec. 31, 2025

Benchmark	Reporting Period	Returns (Gross) ²	Returns (Net) ^{2 3}	Bench-Mark ²	Excess (Gross)	Excess (Net)	Volatility	Sharpe Ratio
US\$ LIBOR/SOFR	Year-to-date	11.68%	11.06%	4.13%	7.55%	6.93%	N/A	N/A
	Latest 3 Years	8.37%	7.77%	4.78%	3.59%	2.99%	2.33%	1.28
	Latest 5 Years	7.26%	6.65%	3.38%	3.88%	3.27%	2.80%	1.17
	Latest 10 Years	5.97%	5.38%	2.41%	3.56%	2.97%	4.06%	0.73
	Since Inception ¹	6.15%	5.59%	1.79%	4.36%	3.79%	4.16%	0.91

¹ Returns annualized, since inception date 11/1/2011

² Returns annualized for periods in excess of one year

³ Net returns after performance fee, which a small number of qualified clients have elected as of the date above