

Constantia Capital Merger-Arbitrage Strategy July 2025 Commentary

Our composite returned 0.9% in July, bringing returns to 7.07% year-to-date, 6.61% annualized for the past 5 years and 5.48% annualized in more than 13 1/2 years since inception.

World equity markets continued their strong year-to-date performance, with the All-Country World Index posting returns for the month of 1.4%, bringing year-to-date returns to 11.9%. For the month, US stocks in general and US Technology stocks in particular were the strongest performers. Fixed Income, as represented by the Bloomberg Aggregate Bond Index, was close to unchanged for the month, returning -0.3%. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 0.7% for the month and has now returned 8.6% year-to-date.

Our Merger-Arbitrage strategy posted its third month in a row of returns close to or exceeding 1%, bringing year-to-date returns to 4.6% ahead of our short-term cash benchmark.

Some of the highlights and lowlights were:

- The best contributing deal of the month was the Ansys acquisition by Synopsis, which closed after receiving Chinese antitrust approval, more than a year after the merger was announced. Not surprisingly, that approval was granted shortly after the US and China agreed to a framework for a trade agreement. The positive impact for the month was 10 bps.
- Hearst Communications is acquiring newspaper publisher DallasNews in a deal that was announced earlier in the month. The deal price was originally \$14 per share, but a short-lived bidding war erupted when a third party bid \$16.50 per share. That bid was quickly rejected as inferior by the DallasNews board, and Hearst raised their bid to \$15, resulting in a positive contribution of 10 bps.
- ProAssurance, a medical malpractice insurer being acquired by The Doctors Company, gained after receiving antitrust approval, contributing 8 bps. Nevertheless, the spread is still quite wide as insurance deals require multiple state regulatory approvals that generally cause the approval process to drag out for more than a year.
- Anebulo Pharmaceuticals is going private by virtue of a 2,500 for 1 (or more) reverse stock split, where any shareholders owning less than the reverse split ratio will receive cash, and the remaining shareholders will own shares in the private company. Five shareholders own 90% of the shares outstanding, and the plan is for those shareholders to own the company as a private entity. There has been selling pressure in the stock since the announcement, most likely by remaining "medium size shareholders", resulting in a negative impact of 12 bps. We believe the unusually wide spread of more than 20% is due to the fact that institutional hedge fund investors are effectively precluded from investing in this take-private transaction, and not due to a fear that the transaction may be canceled.

- The most high-profile merger news of the month was the acquisition of Hess Corp by Chevron. The merger was delayed due to a suit by Exxon Mobil, claiming ownership of certain Hess assets. The suit was decided in Chevron's favor and the deal closed immediately thereafter. We had no position in the deal due to the binary nature of the arbitration decision and our limited expertise in those matters.

Deal flow was even more robust than usual, with 39 new deals for the month, while 43 closed. The number of deals in our portfolio is 119, slightly lower than last month and well above average. Leverage is lower than last month at \$100 of long positions for every \$100 of capital invested.

Constantia Capital Merger-Arbitrage: Performance as of July 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	7.43%	7.09%	2.49%	4.95%	4.60%	N/A	N/A
	Latest 3 Years	7.67%	7.07%	4.79%	2.88%	2.28%	2.52%	0.90
	Latest 5 Years	7.22%	6.61%	3.07%	4.15%	3.54%	2.79%	1.27
	Latest 10 Years	5.82%	5.23%	2.27%	3.55%	2.96%	4.08%	0.73
	Since Inception ¹	6.04%	5.48%	1.73%	4.31%	3.75%	4.21%	0.89

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