

## **Constantia Capital Merger-Arbitrage Strategy February 2026 Commentary**

Our composite returned -0.02%, bringing returns to 0.47% year-to-date, 6.52% annualized for the past 5 years and 5.55% annualized over more than 14 years since inception.

World equity markets had a positive month despite the slightly negative returns for the S&P 500. The All-Country World Index posted returns for the month of 1.3%, led by Emerging Markets and Developed non-US International Markets, up 5.5% and 4.5% respectively. Fixed Income, as represented by the Bloomberg Aggregate Bond Index, outperformed equities for the first time in many months, gaining 1.6% despite neutral news regarding inflation and the potential loss of tariff revenue, which will cause the US budget deficit and therefore government bond issuance to grow even larger and faster than expected. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 1.4% for the month. Gold continued its strong run, gaining 8% in February and 20% year-to-date, while crude oil has gained 17% year-to-date primarily on tensions between the US and Iran.

Some of the Merger-Arb highlights and lowlights for the month were:

- Janus Henderson Group, an Investment Management company, is being acquired by Trian Capital. Toward the end of the month, Victory Capital proposed a cash and stock counter-bid resulting in a positive contribution of 14 bps.
- Wonderfi Technologies is being acquired by Robinhood in a deal where the completion date has been delayed due to a requirement for certain software development work to reach specific milestones. The target is a small-cap Canadian company, and the stock price had fallen a number of months ago on news of the delay. As time has passed and there has been no additional negative news, Wonderfi has seen its stock price slowly rise, resulting in a contribution of 9 bps.
- Tegna, an owner of radio and television networks and is being acquired by Nexstar Media. FCC rules limit concentration of broadcast assets, and should the merger be completed those levels would be exceeded in a number of markets. As a result, our position was below average at 0.5% of the portfolio. However, since both Tegna and Nexstar have a conservative political bias, President Trump indicated support for the deal during the month, resulting in a contribution of 5 bps for the month.
- Warner Brothers Discovery was being acquired by Netflix. However, during the month, Paramount increased their bid to \$31 per share, which Warner Brother accepted after Netflix walked away from a potential bidding war.
- Galaxy Gaming was the biggest detractor with a negative impact of 40 bps. The stock fell 45% for the month, down to the same level (approximately \$1.50 per share) as before the deal to be acquired by Evolution AB was announced. The deal requires a number of state gaming commission approvals, which can be a notoriously slow process, and the companies had previously extended

their “walk date” to July. We did reduce our position down to 0.5% of the portfolio in recognition of the riskiness that the market perceives in this merger, but the companies have not issued any news regarding the deal since December which would explain the drop, and illiquid stocks such as Galaxy can be adversely affected by technical trading factors.

- Generations Bancorp, a small Rochester based bank, is being acquired by ESL Federal Credit Union in a deal where the consideration was based on the estimate of shareholder equity. In September, the companies estimated the proceeds to be in the range of \$18 to \$20 per share, in line with the original valuation when the deal was announced. However, the companies revised that estimate to \$15 to \$16 per share, resulting in a negative impact of 20 bps for the month.
- Brighthouse Financial, an insurance company, is being acquired by Aquarian Capital. Insurance mergers are also subject to state approvals, and due to infrequent Department of Insurance meetings, the process is typically drawn out. The companies estimated the deal would take more than a year to complete, resulting in a fairly wide spread when the deal was first announced. That spread has widened as the market has become concerned with financing issues, despite the fact that the merger agreement states that committed financing has been arranged and that Aquarian is backed by an Abu Dhabi-based parent with \$430 billion assets under management. The negative contribution for the month was 12 bps.

Deal flow was moderate during the month, with 26 new deals, while 20 deals closed. Nevertheless, the number of deals in our portfolio decreased to 110 from 115 a month ago. Leverage remains at \$110 of long positions for every \$100 of capital invested.

### Constantia Capital Merger-Arbitrage: Performance as of Feb. 28, 2026

Benchmark	Reporting Period	Returns (Gross) <sup>2</sup>	Returns (Net) <sup>2 3</sup>	Bench-Mark <sup>2</sup>	Excess (Gross)	Excess (Net)	Volatility	Sharpe Ratio
US\$ LIBOR/SOFR	Year-to-date	0.56%	0.47%	0.60%	-0.04%	-0.13%	N/A	N/A
	Latest 3 Years	8.37%	7.77%	4.72%	3.65%	3.05%	2.33%	1.31
	Latest 5 Years	7.13%	6.52%	3.49%	3.63%	3.03%	2.79%	1.08
	Latest 10 Years	5.84%	5.25%	2.46%	3.38%	2.79%	4.05%	0.69
	Since Inception <sup>1</sup>	6.12%	5.55%	1.81%	4.30%	3.74%	4.14%	0.90

<sup>1</sup> Returns annualized, since inception date 11/1/2011

<sup>2</sup> Returns annualized for periods in excess of one year

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