

Constantia Capital Merger-Arbitrage Strategy

August 2025 Commentary

Our composite returned 1.08% in August, bringing returns to 8.24% year-to-date, 6.68% annualized for the past 5 years and 5.53% annualized in almost 14 years since inception.

World equity markets continued their strong performance, with the All-Country World Index posting returns for the month of 2.5%, bringing year-to-date returns to 14.7%. For the month, the EAFE Index (non-US Developed Markets) was the strongest performer. Fixed Income, as represented by the Bloomberg Aggregate Bond Index, returned 1.2% as inflation reports were mostly in line with expectations. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 1.5% for the month and has now returned 10.3% year-to-date.

Our Merger-Arbitrage strategy posted its fourth month in a row of returns close to or exceeding 1%, bringing year-to-date returns to 5.8% ahead of our short-term cash benchmark.

Some of the highlights and lowlights were:

- Essa Pharmaceuticals is effectively liquidating by selling its assets to Xeno Therapeutics. The proceeds were estimated to be \$1.91 plus a Contingent Value Right of up to \$0.06 per share. The companies agreed to pay the proceeds in two stages: a large special dividend, and the balance a few months later. The special dividend was announced at \$1.69 with a payment date of Friday 8/22/25 and therefore the ex-date was Monday 8/25/25. The stock should have traded at slightly more than \$0.22 on the ex-dividend date but strangely traded much higher. We sold our whole position at approximately \$0.55 (the stock actually traded significantly higher than that before being halted). Later it became clear that there was some ambiguity in the statement about the payment date of the special dividend. After that was clarified, ESSA went back to trading at \$0.23 - meanwhile we had realized an unexpected contribution of 12 bps. Essa is a Canadian company, and the large dividend is subject to Canadian withholding taxes at a 15% rate. As a result, our returns show a gain of only 2 bps, but our US clients will realize the additional proceeds by claiming the foreign tax credit on their 2025 tax returns.
- Euronet Worldwide, a financial services company, is acquiring Corecard Corp. The deal structured as a stock deal with a collar, where the number of shares of Euronet that Corecard holders receive becomes higher as Euronet's stock price decreases, subject to upper and lower limits (the collars). We were able to initiate the trade with Euronet's stock price close to the upper limit, so that our position effectively becomes a "free put", and as both stock prices have fallen, our returns have increased. The contribution for the month was 8 bps.
- Monogram Technologies, a maker of robotic surgery equipment, is being acquired for \$4 plus a Contingent Value Right that has 5 different payouts that total over \$12 if all the milestones are reached. The first two milestones are based on regulatory approvals, and the next three are based

on sales targets. The market appears fairly confident that the regulatory milestones will be achieved and the stock has traded up to \$5.80 resulting in a contribution of 8 bps.

- Walgreens Boots Alliance, the pharmacy chain that at one point had been a member of the Dow Jones Index, was acquired by Sycamore Partners in a deal that was announced five months ago and closed this month. The deal proceeds were \$11.45 plus a “Divested Asset Proceed” right (similar to a Contingent Value Right) that could be worth as much as \$3 per share. Since our average price was approximately \$11.30, we effectively own the DAP right for free. Walgreens last traded price was \$11.98, implying that the market values the right at \$0.53, although we are fairly confident that the payment will be in excess of \$1. The deal has contributed 12 bps since inception, and an additional 40 bps if the maximum payout of \$3 per right is achieved.
- Emeren Group, a solar project developer and operator with operations in North America, Europe and Asia, is being acquired by ShuryaVitra Group, which owns 37% of the company. Possibly due to negative fallout from the Trump’s policies on alternative energy, the deal spread has widened, resulting in a negative contribution of 5 bps for the month.

August was another month of above average new merger announcements, with 32 new deals while 29 closed. The number of deals in our portfolio increased to 130 from 119 a month ago. Leverage also increased and is up to \$115 of long positions for every \$100 of capital invested.

Constantia Capital Merger-Arbitrage: Performance as of Aug. 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	8.65%	8.24%	2.84%	5.81%	5.41%	N/A	N/A
	Latest 3 Years	7.69%	7.09%	4.82%	2.87%	2.27%	2.52%	0.90
	Latest 5 Years	7.28%	6.68%	3.13%	4.15%	3.55%	2.79%	1.27
	Latest 10 Years	5.95%	5.36%	2.30%	3.65%	3.06%	4.08%	0.75
	Since Inception ¹	6.09%	5.53%	1.74%	4.35%	3.78%	4.20%	0.90

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