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## Constantia Capital Merger-Arbitrage Strategy

### January 2026 Commentary

Our composite returned 0.49% in January, bringing returns to 6.72% annualized for the past 5 years and 5.59% annualized more than 14 years since inception.

World equity markets had a strong but volatile month. The All-Country World Index posted returns for the month of 3.0%, led by Emerging Markets and Developed non-US International Markets, each up 5%. Fixed Income, as represented by the Bloomberg Aggregate Bond Index, returned 0.1%. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 1.8% for the month. Gold continued its strong run, gaining 13% for January despite falling more than 10% on the final trading day of the month.

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

- Tamboran Resources, an Australian oil and gas exploration and production company that trades on the NYSE, is buying Falcon Oil and Gas, a Canadian competitor with assets in the same area of Australia. Tamboran already owns over 90% of Falcon shares, but one condition is that the minority shareholders approve the deal, which was completed during the month, resulting in a contribution of 8 bps.
- The demand for electricity generation capacity to power data centers is causing some amount of merger activity among rare earth and other mining companies. One example is Isoenergy, a Canadian mineral exploration company, acquiring Australian Uranium exploration company Toro Energy. The spread has narrowed since deal announcement, resulting in a contribution of 8 bps.
- Elme Communities is a REIT that is liquidating and distributing the proceeds from the sale of its properties to shareholders. After an initial sale of the majority of its properties and a distribution of \$14.67 per share, the company announced that the estimate for the proceeds for the remaining properties would be at least \$2.90 per share. We sold our position above \$3.10, realizing a healthy profit. Shortly thereafter, the stock dropped below \$3, and we re-initiated our position. However, almost immediately thereafter, the company revised their estimate for the range of the sale proceeds with a low of \$2.35 and a midpoint of \$2.57. We added to our position below \$2.30, only to see the stock drop further. As the saying goes, you gain credibility in drops and lose it in buckets, and clearly the market did not trust the new estimate. Exacerbating the loss, S&P announced that the company was being deleted from their Small-cap Index. In total, the negative contribution was 13 bps.
- Warner Brothers Discovery is being acquired by Netflix, but Paramount had made a counter-bid. During the month, Netflix changed the terms of their bid to cash only from a mix of cash and stock, the effect of which is to speed up the time to the Warner Brothers shareholder vote. The logic behind the change is that an earlier vote would remove the uncertainty of the Paramount counter-



bid. The reduced probability of a bidding war caused Warner Brothers stock to fall a few percent, resulting in a negative contribution of 4 bps.

- Staar Surgical, a developer of vision products including contact lenses and cataract surgery devices, was being acquired by Alcon. A number of large shareholders had indicated that they would vote against the deal, and Alcon raised their bid from \$28.50 per share to \$30.75. Nevertheless, over 60% of shareholders voted against the deal, and we assume that includes some investors with above average intelligence. As a result, the deal was terminated and those above average shareholders, and everyone else, are now owners of a stock that closed the month below \$19, approximately the same price as it had been trading at before the deal was announced. Since we had significantly reduced our position ahead of the vote and then sold the remainder of our position on the news of the shareholder vote, the negative impact for the month was only 3 bps and 15 bps since inception.

Deal flow slowed during the month, with 20 new deals for the month, while 30 deals closed. The number of deals in our portfolio decreased to 115 from 127 a month ago. Leverage also decreased slightly and is now at \$110 of long positions for every \$100 of capital invested.

### Constantia Capital Merger-Arbitrage: Performance as of Jan. 31, 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	0.53%	0.49%	0.30%	0.23%	0.19%	N/A	N/A
	Latest 3 Years	8.52%	7.92%	4.75%	3.77%	3.17%	2.31%	1.37
	Latest 5 Years	7.33%	6.72%	3.43%	3.90%	3.29%	2.80%	1.18
	Latest 10 Years	5.90%	5.30%	2.44%	3.46%	2.86%	4.05%	0.71
	Since Inception <sup>1</sup>	6.15%	5.59%	1.80%	4.35%	3.78%	4.14%	0.91

<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