



Constantia Capital Merger-Arbitrage Strategy November 2025 Commentary

Our composite returned 1.52% in November, bringing returns to 10.30% year-to-date, 6.61% annualized for the past 5 years and 5.57% annualized in 14 years since inception.

World equity markets were very slightly positive for November despite a negative start to the month as inflation remained above target, but then rebounded on hopes of a Fed interest cut based on a sluggish labor market in the US. The All-Country World Index posted returns for the month of 0.02%, slightly lagging the S&P 500 which gained 0.25%. Fixed Income, as represented by the Bloomberg Aggregate Bond Index, returned 0.62%. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 0.26% for the month and has now returned 15.9% year-to-date. Bitcoin and cryptocurrencies in general showed themselves to be highly speculative securities, and definitely not an alternative to Gold, as Bitcoin fell almost 20% for the month.

Our Merger-Arbitrage strategy has now returned over 10% year-to-date, which would mark our best ever year assuming no large negative surprises during December. Merger-Arb funds in general have had a strong year, but we are ahead of both our own index of Merger-Arb mutual funds and ETF's and also the Bloomberg Merger-Arb Hedge Fund Index (through the end of October).

Some of the highlights and lowlights were:

- 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 6% on that news. Avadel was an above average size position in the portfolio at a 2% weight, and the mini bidding war made it the best contributor with a positive impact of 25 bps.
- Metsera, a biotech company with an obesity drug in Phase 2 trials, agreed to be acquired by Pfizer for \$65.60 and contingent value rights (CVR) with three milestones and a potential value of \$20.65 after possibly the shortest bidding war ever. Novo Nordisk capitulated after Pfizer matched their bid twice, and possibly the FTC indicated to Novo Nordisk that their bid would face anti-trust hurdles, whereas Pfizer's bid already had anti-trust approval. The market was expecting a protracted bidding war, and Metsera fell 15% on the day of Novo Nordisk's announcement. The deal contributed 0 bps for the month and 7 bps since inception. Metsera's last traded price before the deal close implied a value of \$5 for the CVR, translating to 5 bps of portfolio value. We stand to lose that if none of the CVR milestones are achieved or make up to an additional 17 bps if all three milestones are reached (by 2027 for the first and 2031 for the other two).

- Surmodics, a medical stent manufacturer, was acquired by private equity firm GTCR in deal that closed during the month. The FTC had sued to block the deal a few months ago, but the companies prevailed in court. The contribution for the month was 8 bps, but negative since inception since we had reduced our position at a loss for risk control reasons as it became clear many months ago that the FTC would attempt to block the deal.
- ASP Isotopes is acquiring South African based Renergen, a liquid helium producer in a stock swap merger. As noted last previously, the companies had hoped to close the transaction during the third quarter, but are waiting on one final regulatory approval from South African authorities. The “walk date” was the end of November, but the companies agreed to extend that to the end of January 2026. Since Interactive Brokers does not support trading on the Johannesburg Stock Exchange, we have purchased the Australian Renergen “ADR”. For various mostly technical reasons, this deal was a negative contributor during October, but that reversed in November, resulting in a positive contribution of 20 bps.
- Lennar, the homebuilding company, split off Milrose Properties in a structure that allowed odd-lot holders of Lennar to earn approximately 6% over six weeks. The contribution for the month was approximately 8 bps. Note that we are able to take advantage of these situations due to our Separately Managed Account structure as opposed to an ETF or hedge fund, since 99 shares is meaningful for our separate accounts but insignificant in a fund.
- 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. The stock fell 7% on no specific news, although during October the company delayed their shareholder vote by six weeks due to an SEC review. The negative impact was 9 bps.
- Kimberly Clark agreed to buy Kenvue, a consumer health company that is the maker of Tylenol. Kenvue had fallen 30% after Health and Human Services secretary Robert Kennedy Jr. said that Tylenol taken by pregnant women could cause autism, despite no specific evidence to back his claim. The merger is a stock-swap deal that requires shareholder approval by both companies. Concern that the Kimberly Clark shareholders may vote to reject the deal caused the spread to widen, resulting in a negative impact of 5 bp.

Strong deal flow continues, with 29 new deals for the month, while 30 deals closed. The number of deals in our portfolio decreased to 136 from 140 a month ago. Leverage also decreased slightly and is now at \$130 of long positions for every \$100 of capital invested.



Constantia Capital Merger-Arbitrage: Performance as of Nov. 30, 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	10.86%	10.30%	3.82%	7.04%	6.48%	N/A	N/A
	Latest 3 Years	8.15%	7.55%	4.81%	3.34%	2.74%	2.35%	1.17
	Latest 5 Years	7.22%	6.61%	3.32%	3.90%	3.30%	2.80%	1.18
	Latest 10 Years	6.05%	5.46%	2.39%	3.67%	3.07%	4.08%	0.75
	Since Inception ¹	6.13%	5.57%	1.78%	4.35%	3.79%	4.17%	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