# Constantia Capital Merger-Arbitrage Strategy
# June 2025 Commentary

Our composite returned 1.31% in June, bringing returns to 6.13% year-to-date, 5.24% annualized for the past 10 years and 5.44% annualized in more than 13 1/2 years since inception.

World markets continued their post "liberation day" bounce-back, with the All-Country World Index posting returns for the month of 4.1%, bringing year-to-date returns in excess of 10%. For the month, the Emerging Market and US Technology stocks were the strongest performers. Fixed Income, as represented by the Bloomberg Aggregate Bond Index, gained 1.2% for the month as better than expected inflation data overcame concerns of a growing US budget deficit resulting from the pending tax bill making its way through Congress. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 3.3% for the month and has now returned 7.9% year-to-date.

Our Merger-Arbitrage strategy posted our second month in a row of returns exceeding 1%, resulting in our strongest performance for the first half of a year in the past 10 years. Those returns are 4% ahead of our short-term cash benchmark. In addition, our returns are more than 2.5% ahead of an index of 8 Merger-Arb mutual funds and ETF's that we track. Hedge fund returns for June are not yet available, but for periods ending in May, we are ahead of the Bloomberg Merger-Arb Hedge Fund Index by 1.3% year-to-date and 1.7% annualized over the past 3 years.
Some of the highlights and lowlights were:

- The best contributing deal of the month was 23 and Me, which is being purchased out of bankruptcy by a consortium led by the company's founder. The bankruptcy court had originally agreed to sell the assets to Regeneron. In both cases, the purchase price was quoted for the enterprise, including debt, and as a result, we had to estimate the proceeds to shareholders. Due to that uncertainty, our position was never more than 30 bps, but we initiated the position at approximately $2.50 per share, and the stock ended the month just below $5, resulting in a contribution of 20 bps for the month and 40 bps since announcement of the transaction.
- Boeing's purchase of Spirit Aerospace involves a "collar" (deal consideration is the same within a certain price range, but increases if Boeing shares trade above the high-end price), and Boeing's stock has been trading around the high end of the collar. In that scenario, the deal trades like a call option, and frequently was priced as a free option. We traded in and out of Spirit Aerospace multiple times, resulting in a contribution of 11 bps for the month and 18 bps since inception.
- Sage Therapeutics markets a drug in partnership with Biogen, and Biogen had proposed to buy Sage earlier this year. Since it was not a definitively signed acquisition, we owned a small speculative position in Sage, and were pleasantly surprised when Supernus Pharmaceuticals agreed to acquire Sage at a healthy premium to the Biogen bid, contributing 10 bps for the month.

- Farotech, a manufacturer of 3-D measurement instruments, is being acquired by Ametek. The spread has narrowed considerably during the month despite the projected deal closing being a number of months away, contributing 8 bps.
- Juniper Networks is being acquired by Hewlett Packard Enterprises. During the Biden administration, the DoJ sued to block the deal. In a sign that the merger regulatory environment may be improving, the DoJ settled with the companies shortly before the trial was about to start, resulting in a contribution of 5 bps for the month.
- Mars Inc agreed to acquire Kellanova, the packaged food manufacturer which had recently been spun off from Kelloggs. During the month, EU antitrust regulators announced they were opening a full-scale probe into the merger, concerned about market share concentration in some countries, resulting in a negative impact of 5 bps. Days later, the deal was cleared by US antitrust regulators.

Deal flow has remained reasonably robust, with 31 new deals for the month, while 27 closed. The number of deals in our portfolio is 122, slightly higher than last month and well above average. Leverage is also slightly higher than last month at $115 of long positions for every $100 of capital invested.

## Constantia Capital Merger-Arbitrage: Performance as of June 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 | **6.42%** | **6.13%** | 2.13% | 4.29% | 4.00% | N/A | N/A |
| | Latest 3 Years | **7.58%** | **6.98%** | 4.75% | 2.83% | 2.23% | 2.52% | 0.89 |
| | Latest 5 Years | **7.18%** | **6.58%** | 3.00% | 4.18% | 3.58% | 2.80% | 1.28 |
| | Latest 10 Years | **5.83%** | **5.24%** | 2.23% | 3.59% | 3.00% | 4.08% | 0.74 |
| | Since Inception[1] | **6.01%** | **5.44%** | 1.71% | 4.29% | 3.73% | 4.22% | 0.88 |

[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