

Thoughts on Portfolio Rebalancing December 2021

With stocks having risen more than 20% two years in a row despite numerous economic headwinds, prudent investors are considering rebalancing their portfolios. There are not many good fixed-income options available - short term yields are close to zero, long term yields are historically low and under the cloud of inflation and high yield bond spreads vs Treasuries are about 2 standard deviations below average.

Our Merger-Arb strategy (a fixed-income alternative) is having a banner year, with the composite having returned over 8% year-to-date. The merger-arb environment continues to be favorable with above average deal flow. The graph below shows that we've done a lot better than the competition (average of all the Merger-Arb mutual funds and ETF's of which we are aware), implying that our combination of low fees, separate account structure coupled with skillful management and prudent risk controls should bode well for a decent year in 2022.

(more information at www.ConstantiaCapital.net)

