

Constantia Capital Merger-Arbitrage Strategy November 2023 Commentary

Our composite returned 1.37% in November, bringing year-to-date returns to 5.15%, 4.02% annualized for the past 5 years and 5.05% annualized in slightly over 12 years since inception.

Inflation fears subsided and bond yields fell, driving both stocks and bonds to an extremely strong month. World equities gained 9.27% with strong gains in almost every region. (The US makes up approximately 60% of the index, and the S&P 500 returned 9.13%.) The Bloomberg Aggregate Bond Index posted returns of 4.53% for the month and is now up 1.64% for the year-to-date. The classic 60/40 Equity/Bond benchmark (All World Index, Bloomberg US Aggregate Bond Index) returned 7.38% for the month.

Merger-Arbitrage is positively correlated with both stock and bond returns, and that certainly helped performance, but the bulk of returns can be attributed to deal-specific events. Following the strong month our composite is back ahead of our short-term cash benchmark, all the most popular money-market funds and also the major bond benchmarks on a year-to-date basis (as well as 3-, 5- and 10-year periods). Some of the highlights and lowlights of the month were:

- Neogames, an internet gambling software provider based in Israel, is being acquired by Aristocrat Leisure, an Australian casino services company. Neogames has operations and customers in many countries and the deal requires multiple approvals. The deal was a detractor in October, probably due to concerns relating to the war in Gaza, but rebounded in November for a contribution of 14 bps.
- Broadcom's acquisition of VMWare was approved by Chinese antitrust authorities and closed during the month for a contribution of 13 bps in November, but only 3 bps since inception.
- Point Biopharma is being acquired by Eli Lilly for \$12.50 per share. As noted in October, Point is trading above the offer price as investors hope that LLY will be forced to increase its bid. The stock continued to trade higher in November, closing at \$13.60 and contributing 8 bps for the month.
- Capri Holdings, owner of the Michael Kors brand, is being acquired by Tapestry, owner of the Coach brand. The FTC issued a "second request" for more information related to the anti-trust approval for the deal, resulting in a negative impact of 7 bps.

New deal announcements were only 18 for the month, while 31 deals closed. Diversification is well above average although the number of deals has fallen to 96 from 110 a month ago. Leverage has also fallen as a number of high-profile deals closed and the portfolio now has approximately \$90 of long positions for every \$100 of capital.

Constantia Capital Merger-Arbitrage: Performance as of November 30, 2023

Benchmark	Reporting Period	Returns (Net) ^{2 3}	Bench-Mark ²	Excess (Net)	Volatility	Sharpe Ratio
LIBOR/SOFR 3-month USD	Year-to-date	5.15%	4.74%	0.41%	N/A	N/A
	Latest 3 Years	5.23%	2.45%	2.78%	3.08%	0.90
	Latest 5 Years	4.02%	2.09%	1.93%	5.31%	0.36
	Latest 10 Years	4.07%	1.52%	2.55%	4.54%	0.56
	Since Inception ¹	5.05%	1.32%	3.74%	4.40%	0.85

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