

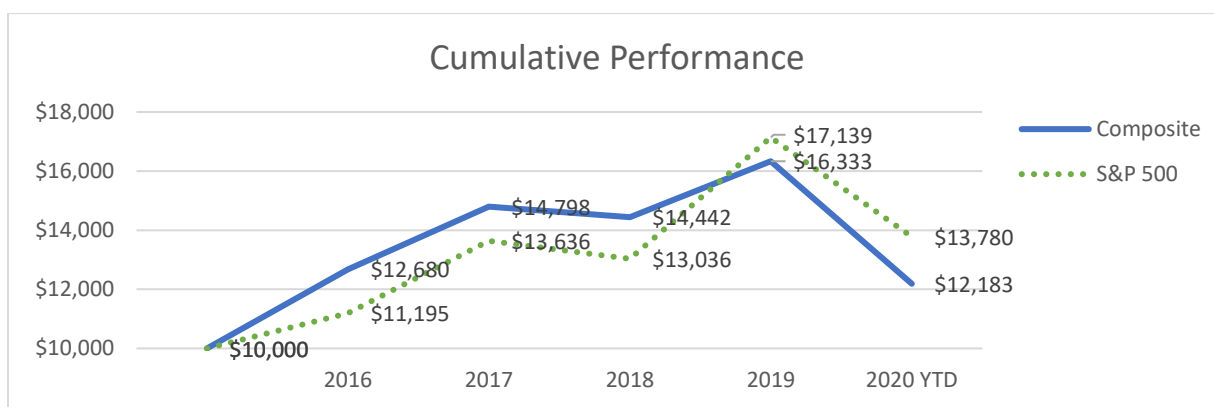
Spring Ocean Capital Newsletter 2020 Q1

Portfolio Performance

Our portfolio performance was:

	S&P 500	Spring Ocean Composite ¹
2016	11.95%	26.8%
2017	21.8%	16.7%
2018	-4.4%	-2.4%
2019	31.49%	13.09%
2020 Q1	-19.6%	-25.41%

Assuming \$10,000 was invested at the beginning of 2016, the cumulative performance would be:



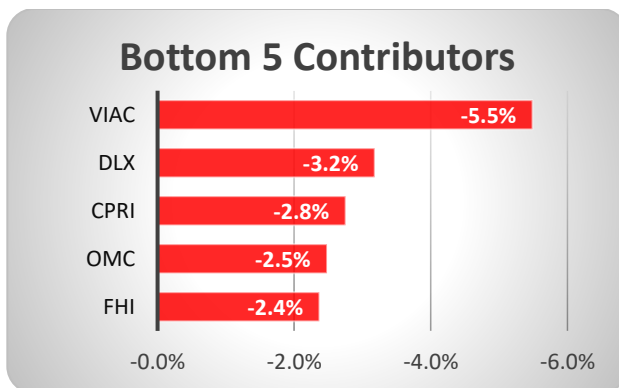
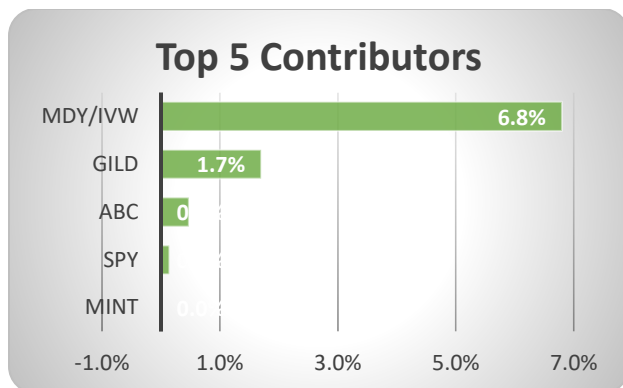
The S&P 500 index was down 19.6% in the first quarter. We were down 25.4% during the same period.

We are disappointed with the results. While we have been preparing our portfolio for the recession for a long time, we had not outperformed the market during the market crash. We warned in our last newsletter that stock market valuation was too high and any potential shock could cause market turmoil. I was fully aware of what happened in Wuhan during the COVID-19 pandemic. However, I underestimated how the pandemic was playing out in the United States.

In the first quarter, the market suffered its worst decline since the 2008 financial market depression. During the first quarter, our hedging positions made lots of profit. However, many of our stock picks did not perform well. Many of our holdings are mid-cap and small-cap stocks that were particularly hurt during this selloff.

Our five top and bottom contributors for 2020 first quarter are listed below. The top 5 contributors have a total PnL of 9.1%. The bottom 5 have a total PnL of -16.3%.

¹ We used the Interactive Broker's portfolio analytic data output. It included all actively managed accounts after all expenses and fees but exclude passive managed accounts. For detailed monthly return data, please see the other report (IB portfolio monthly PnL report). Performance data were not audited. Individual account performance may vary.



The top 5 profitable positions are:

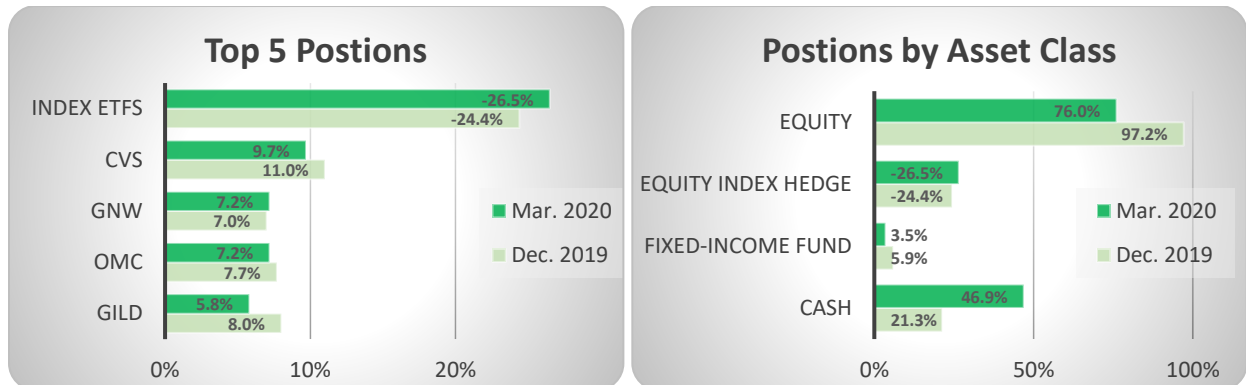
1. The index hedging position (**MDY/IVW**). We have large short positions on them and the market sell off caused the profit.
2. Gilead Science (**GILD**) has the only FDA approved COVID-19 drug Remdesivir. GILD is one of our major positions. We sold some of our positions during the crisis when the stock was relatively high, locking in some profit.
3. AmerisourceBergen Corp. (**ABC**) is one of the largest drug wholesale distributors. We sold our position in the first quarter.
4. S&P 500 index ETF (**SPY**). We made some small profit here due to some short-term trading.
5. Pimco Enhanced Short Maturity Fund (**MINT**) is an active manage short term fixed income ETF. We put our idle cash in this fund.

Our bottom 5 contributors are:

1. ViacomCBS inc (**VIAC**) is a media company that operates CBS TV network and the Paramount Picture film studios. It has classics like Titanic and Forrest Gump in its movie library. We entered into the position just when the stock market sell off started, and incurred a lot of losses here.
2. Deluxe Corp. (**DLX**) is famous for the check printing business.
3. Capri Holdings (**CPRI**) is the owner of Michael Kors, Jimmy Choo, and Versace.
4. Omnicom Group (**OMC**) is a major advertising agency.
5. Federated Hermes Inc (**FHI**) is a mutual fund management company. Its revenue, mostly in asset management fee, is correlated with stock market.

Major positions

Our top 5 positions and asset classes at the end of Mar. 2020 were:



CVS: CVS Health; GNW: Genworth Financial; OMC: Omnicom Group; GILD: Gilead Science Inc.;

We had some large changes in the first quarter, mostly in decreasing some positions in CVS and GILD.

To control the risk, we also decreased the overall equity position by about 20%.

Hua Wei, Ph.D., CFA on May. 15, 2020 in Orange, Ohio

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