

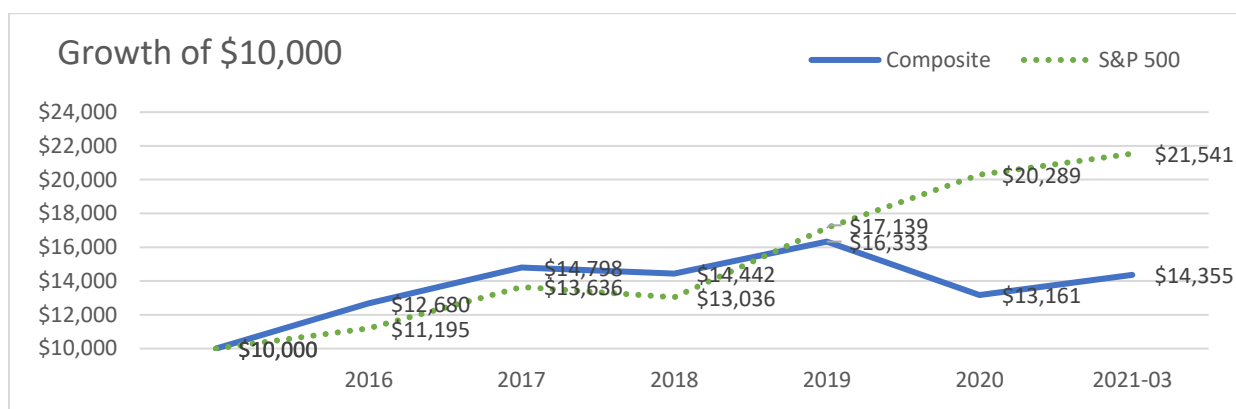
Spring Ocean Capital Newsletter 2021 Q1

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%	13.1%
2019	18.4%	-19.4%
<u>2021 Q1</u>	<u>6.2%</u>	<u>9.1%</u>
2021 year to Q1	6.2%	9.1%

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



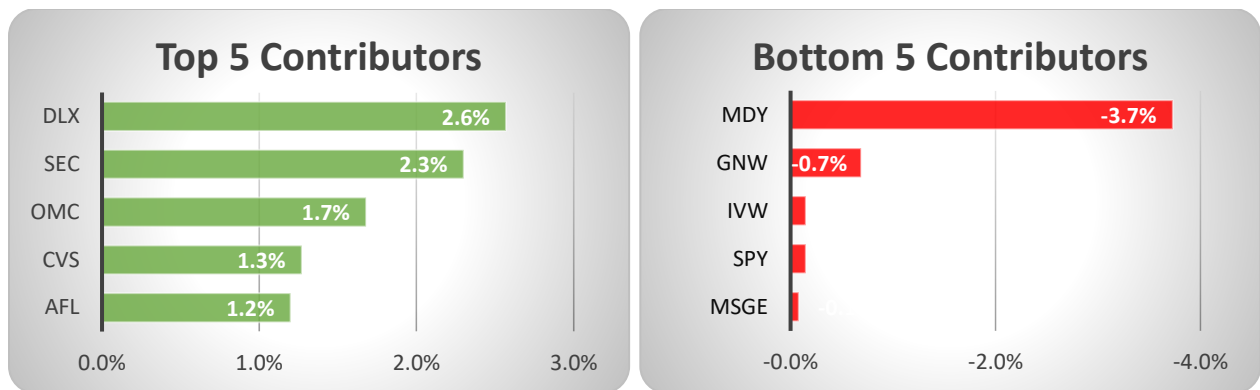
The S&P 500 index was up 6.2% in the first quarter. We were up about 9.1% during the same period.

Our performance improved this quarter compared to the last quarter in 2020 and we outperformed the market. In last year's newsletter, we mentioned the main causes for our underperformance back then were market bifurcation between growth stocks and value stocks. It looks the bifurcation is reversing. This partially explains some of our outperformance even though we were still not fully invested.

The value stock outperformed the growth stocks in the first quarter. The S&P 500 value index (SVX) outperformed S&P 500 growth index by about 8%. This continues the trend from Q4 2020. This is a partially reversal of 2020 when growth index greatly outperform the value index.

Our top and bottom five contributors for the first quarter of 2021 are listed below. The top 5 contributors have a total PnL of 9%. The bottom 5 have a total PnL of -4.9%.

¹ We used the Interactive Broker's portfolio analytic data output. It included all actively managed accounts after all expenses and fees but excluded 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:

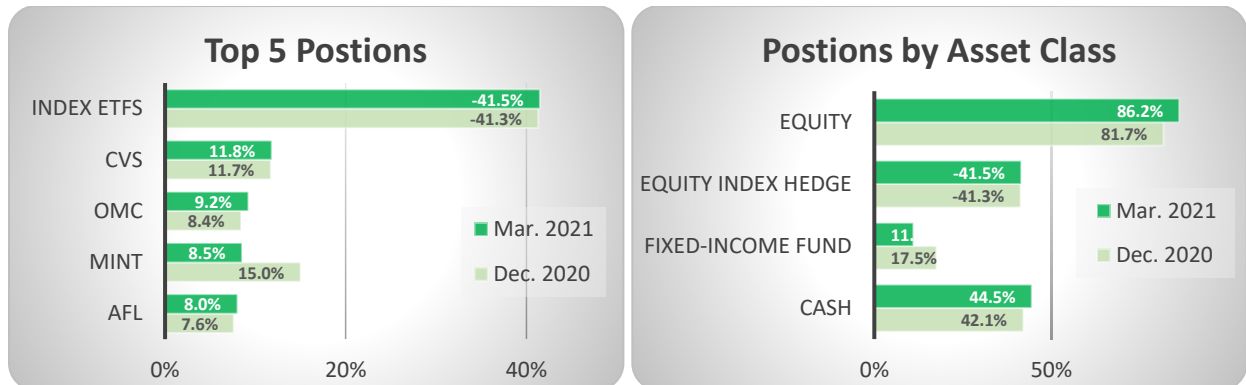
1. Deluxe Corp. (**DLX**) is famous for the check printing business. It mainly serves small business. The pandemic had a major negative impact on small business last year and the stock price was depressed due to this. It rebounded this quarter.
2. Senvest Capital (**SEC**) is a Canadian asset management company. We mentioned in our previous newsletter that the company made a huge profit in the investment of GameStop stock. The market respond positively on the news.
3. Omnicom Group (**OMC**) is a major advertising agency. The company is well run. After some loss last year, it came back strong the first quarter.
4. CVS Health Corp (**CVS**) is one of the largest health insurance companies and pharmacy in the U.S. It was our top contributor in 2019. It is also our largest long position. The large weight, combined with price improvement, contributed to the profit.
5. Aflac Inc. (**AFL**) is a large insurance company with its majority revenue from Japan. We started accumulating position last year and incurred some loss. However, it advanced well this year.

Our bottom 5 contributors are:

1. The index hedging position (**MDY**) is the short position of S&P 400 Index EFT. (The middle sized 400 company index). MDY was up in Q1 and we incurred loss here.
2. Genworth Financial (**GNW**)'s merger with China Oceanwide was finally terminated due to geopolitical tension as we previously predicted. However, our valuation of GNW is still higher than its current stock price, we will hold the stock for now.
3. IShares S&P 500 Growth ETF (**IVW**) is another short position. The growth index is up and we incurred loss here.
4. IShares S&P 500 ETF (**SPY**) is our relative smaller short position. The index was up in Q1 and we incurred loss here.
5. Madison Square Garden Entertainment (**MSGE**) is a small arbitrage position. The temporary loss here is hedged by another position.

Major positions

Our top 5 positions and asset classes at the end of Q1 2021 were:



CVS: CVS Health; OMC: Omnicom Group; MINT: Pimco Enhanced Short Maturity Fund; AFL: AFLAC

We trimmed some position in short term bond fund (MINT), and used the proceeds to purchase more equity positions. The weight changes in the Top 5 were mostly due to price movement.

In summary, the market bifurcation between growth and value continued the reversion in our favor this quarter. The market in general is still expensive. Due to the growth and value stock bifurcation from the last year, we still find some value stocks attractive.

Hua Wei, Ph.D., CFA on May. 19, 2021 in Orange, Ohio

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