

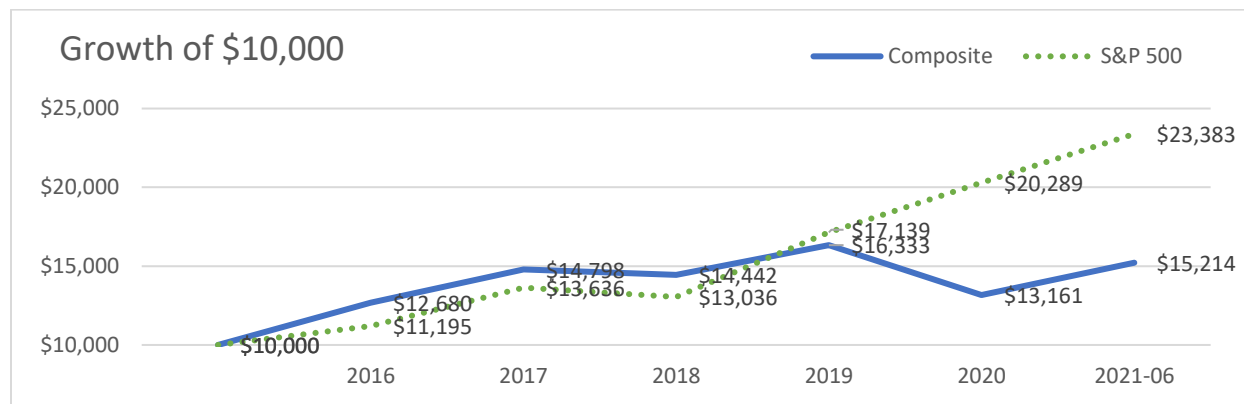
Spring Ocean Capital Newsletter 2021 Q2

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%
2020	18.4%	-19.4%
2021 Q1	6.2%	9.1%
2021 Q2	8.6%	6.0%
2021 year to Q2	15.3%	15.6%

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

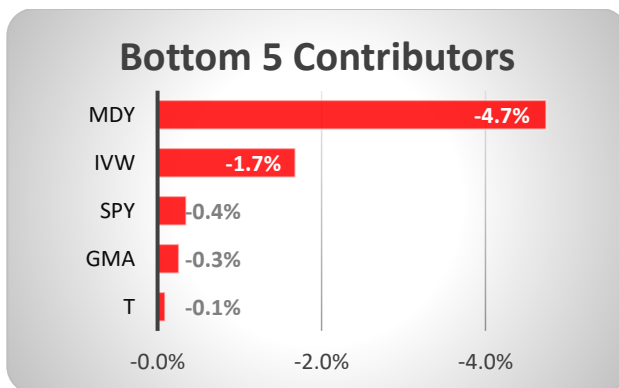
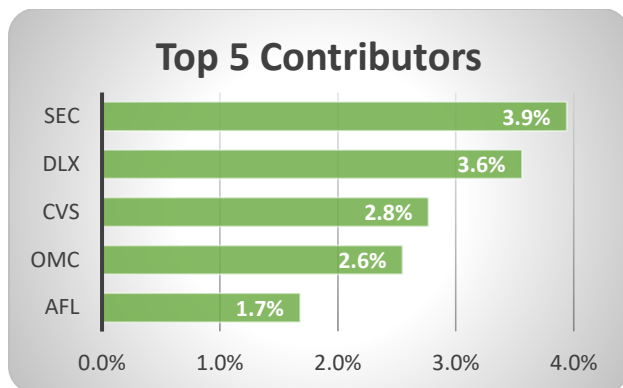


The S&P 500 index was up 15.3% in the first half. We were up about 15.6% during the same period. However, in the second quarter, we underperformed the market by about 2.6%.

In terms of investing style, the value stocks underperformed the growth stocks in the second quarter. The S&P 500 value index (SVX) underperformed S&P 500 growth index by about 7%, reversing the lead of 8% in the first quarter. We are mostly a value based investor, and the value stocks' performance partially explained our performance in the second quarter.

Our top and bottom five contributors for the first half of 2021 are listed below. The top 5 contributors have a total PnL of 14.5%. The bottom 5 have a total PnL of -7.1%.

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:

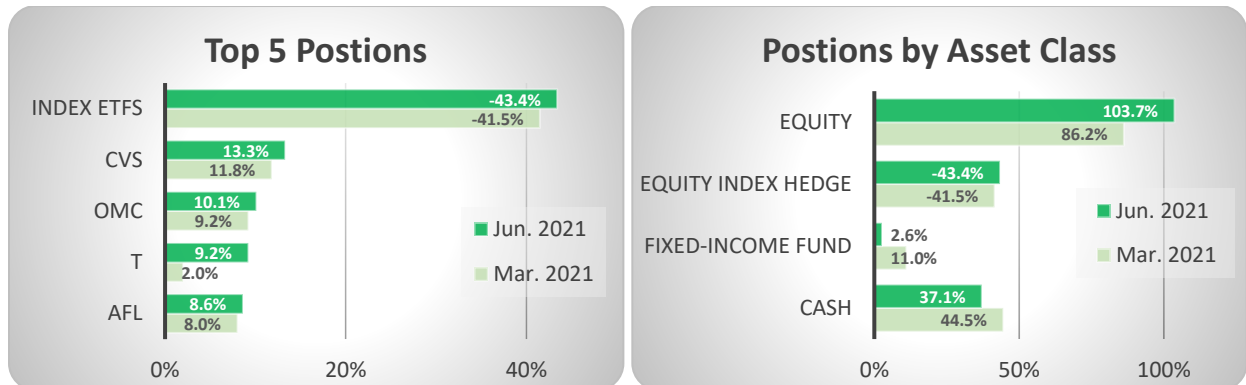
1. Senvest Capital (**SEC**) is a Canadian asset management company. We mentioned in last year newsletter that the company made a huge profit in the investment of GameStop stock. The stock price slowly catches up after the first quarterly financial report was out.
2. Deluxe Corp. (**DLX**) is famous 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. It rebounded in the first half of this year.
3. 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.
4. Omnicom Group (**OMC**) is a major advertising agency. The company is well run. After some loss last year, it came back strong this first half year.
5. Aflac Inc. (**AFL**) is a large insurance company with the majority of its 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 Q2. We incurred loss here.
2. IShares S&P 500 Growth ETF (**IVW**) is another short position. The growth index was up and we have a modest short position, so the loss is smaller.
3. IShares S&P 500 ETF (**SPY**) is our relative smaller short position. The index was up in the first half year and thus the small loss here.
4. Genworth Mortgage Insurance (**GMA**) is an Australian mortgage insurance company.
5. AT&T (**T**) is a recent addition. AT&T announced their spin-off plan of Time Warner last quarter. We believe the current market value has a significant discount compared to the true value of AT&T telecom business and Time Warner media asset. We expect AT&T and Time Warner will be priced at a more reasonable level after the spin-off.

Major positions

Our top 5 positions and asset classes at the end of Q2 2021 were:



CVS: CVS Health; OMC: Omnicom Group; T: AT&T; AFL: AFLAC

We sold almost all position in short term bond fund (MINT), and used the proceeds and some cash to purchase more equity positions. Our position in T changed from 2% to 9.2%. The weight changes in the other Top 5 were due to price and cash movement.

In summary, the market in general is still expensive. Due to the growth and value stock bifurcation from the last year and the second quarter this year, some value stocks are still attractive.

Hua Wei, Ph.D., CFA on Aug. 17, 2021 in Orange, Ohio

Portfolio Manager, Founder,
Spring Ocean Capital LLC

<http://www.SpringOceanCapital.com>

Legal Information and Disclosures

This newsletter expresses the views of the author as of the date indicated and such views are subject to change without notice. Spring Ocean Capital has no obligation to update the information contained herein. Further, Spring Ocean Capital makes no representation, and it should not be assumed, that past investment performance is an indication of future results. All performance is computed on a before-tax time weighted return (TWR) basis and is net of all paid management fees and brokerage costs. Performance figures are unaudited and generated using our custodian's reporting functionality. Performance of individual accounts may vary depending on the timing of their investment, the effects of additions/withdrawals from their account. This newsletter is being made available for information purposes only and should not be used for any other purpose. The information provided should not be considered as investment advice or a recommendation to purchase or sell any security. While the information presented herein is believed to be reliable, no representations or warranty is made concerning the accuracy of any data presented.