

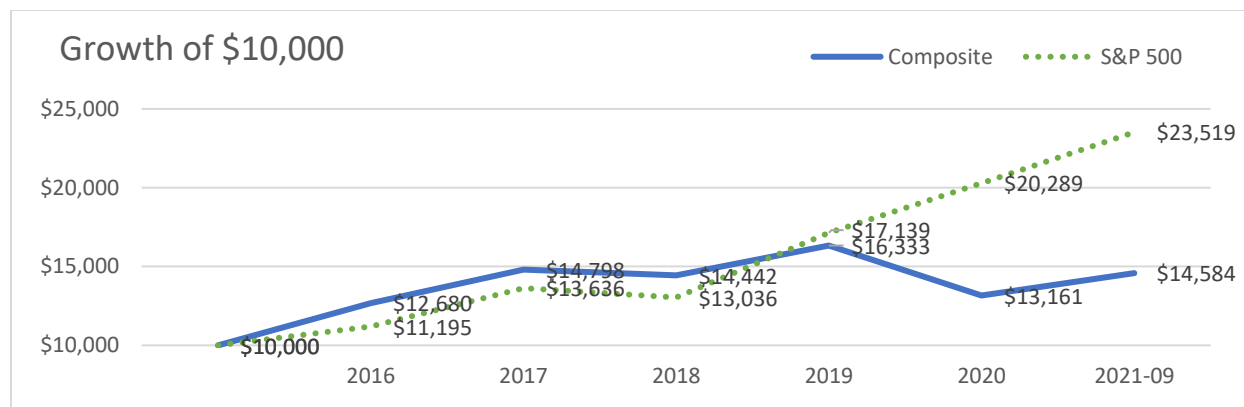
Spring Ocean Capital Newsletter 2021 Q3

Portfolio Performance

Our portfolio performance was:

	S&P 500 Total Return	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 Q3	0.6%	-4.1%
2021 year to Q3	15.9%	10.8%

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

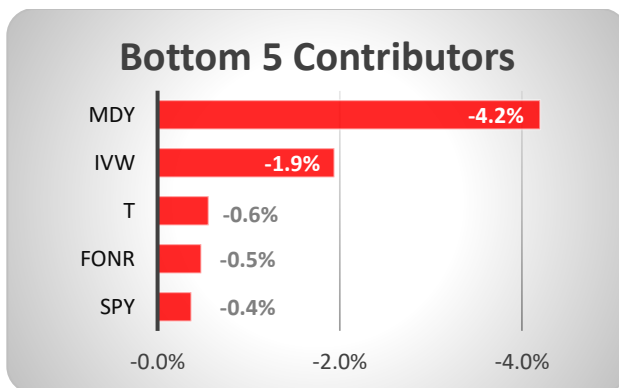
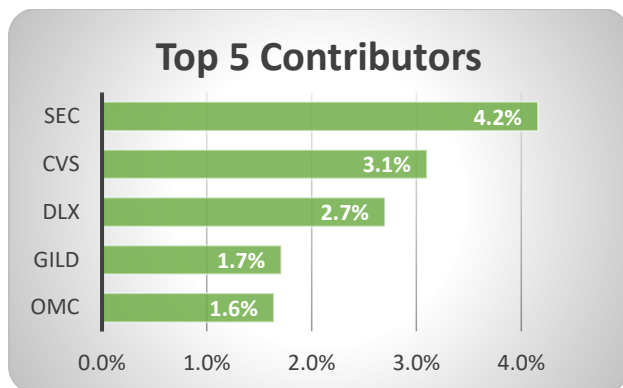


The S&P 500 index was up 0.6% in the third quarter, up 15.9 in the first three quarters of this year. We were down about 4% in the third quarter, and up 10.8% in the first 3 quarters of this year.

In the third quarter, we continued to see that growth style stocks outperformed value style stocks. In July and August, the growth index outperformed the value index by about 6%. It was reversed in September when the market went down, and the value index outperformed the growth index by 3%. We are heavily tilt toward value stocks, and we lost some money in July when the market was up, and outperformed the market in September when the market went down. Overall, we underperformed in the third quarter.

Our top and bottom five contributors for the first three quarters of 2021 are listed below. The top 5 contributors have a total PnL of 13.3%. The bottom 5 have a total PnL of -7.5%.

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:

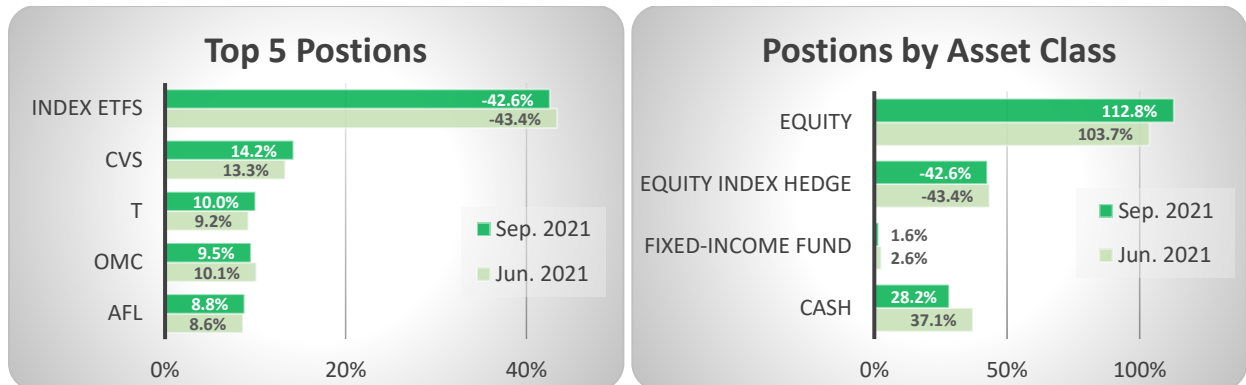
1. Senvest Capital (**SEC**) is a Canadian asset management company. We mentioned in last year newsletter that the company made a huge profit in the investment of GameStop stock. The stock price slowly caught up after the first and second quarterly financial report was out.
2. CVS Health Corp (**CVS**) is one of the largest health insurance companies and pharmacies 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.
3. 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. Our profit here mostly comes from the first half. We have closed this position at the time of this newsletter.
4. Gilead Science (**GILD**) is one of our major positions. It is famous for the first FDA approved Covid19 treatment Remdesivir. However, the true profit center of this company is its HIV drugs. The market price seems undervalued the profit of the HIV drugs.
5. Omnicom Group (**OMC**) is a major advertising agency. The company is well run. After some loss last year, it came back strong the first half.

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 first half. 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. AT&T (**T**) is a recent addition. AT&T announced their spin-off plan of Time Warner early 2021. We believe the current market value had a significant discount compared to the true value of AT&T's 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 in mid-2022.
4. Fonar Corp. (**FONR**) is a small medical equipment company specialized in upright MRI scanner research and MRI medical office management. We had a small loss here due to price changes.
5. IShares S&P 500 ETF (**SPY**) is our smaller short position. The index was up in the first half year and thus the small loss here.

Major positions

Our top 5 positions and asset classes at the end of Q3 2021 were:



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

We slightly reduced our short position in index ETF in the third quarter, and increased our position in AT&T(T). The weight changes in the other top 5 positions were mostly due to price and cash movement. We also put more cash into equity. Total equity position increased by about 9%.

In summary, our performance is still under heavy influence of the movement of growth and value style stocks. We do not intend to change our investment style and we still find there are more opportunities in the value style stocks.

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

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