

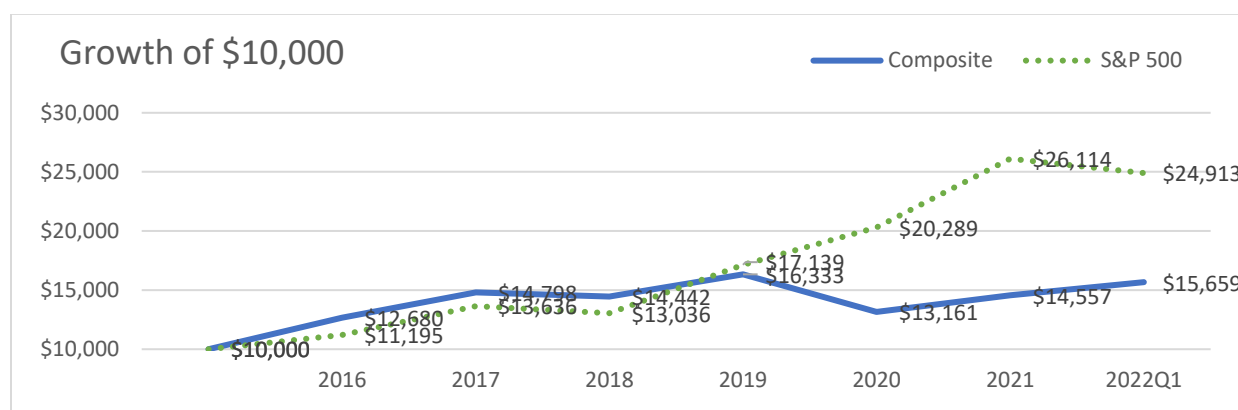
Spring Ocean Capital Newsletter 2022 Q1

Portfolio Performance

Our portfolio performance was:

	S&P 500 Total Return	Spring Ocean Composite ¹
2016	12.0%	26.8%
2017	21.8%	16.7%
2018	-4.4%	-2.4%
2019	31.5%	13.1%
2020	18.4%	-19.4%
2021	28.7%	10.6%
<u>2022 Q1</u>	<u>-4.6%</u>	<u>7.6%</u>

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

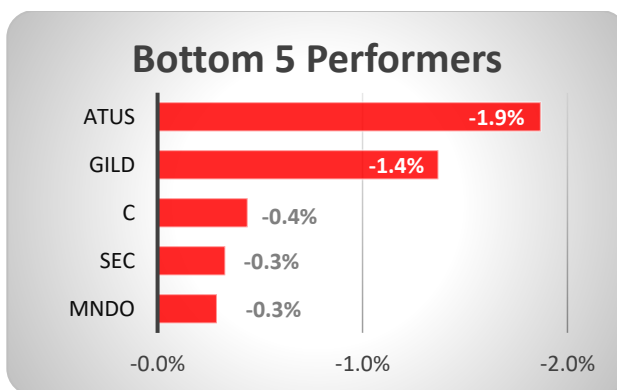
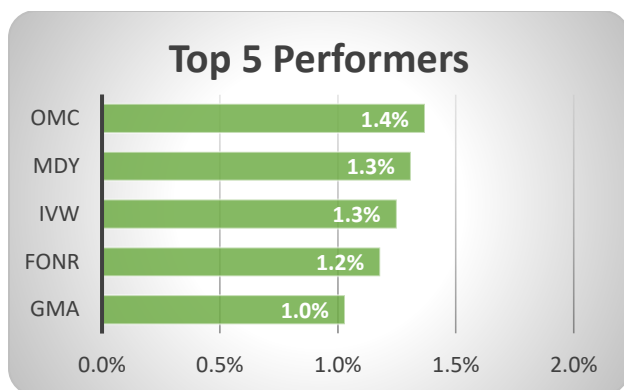


The S&P 500 index was down 4.6% in the first quarter. We were up about 7.6% in the same period

During the first quarter, we saw a reversion of the relative performance between growth style and value style stocks. The value style index outperformed the growth style index by about 8% in this period. Since we are heavily tilted toward value stocks, this reversed trend greatly boosted our performance. The other part of our outperformance came from our short positions. As the market retreated from its recent highs, our short positions also helped boost our performance. These two key factors, which were the main causes of our underperformance in 2021, turned around in the first quarter and helped our performances.

Our top and bottom five performers for 2022 Q1 are listed below. The top 5 performers had a total PnL of 6.1%. The bottom 5 had a total PnL of -4.3%.

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 performers are:

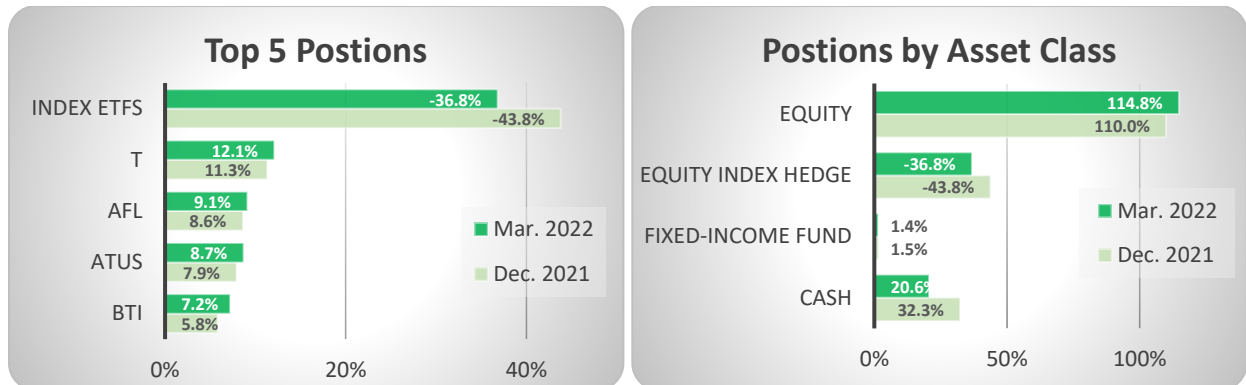
1. Omnicom Group (**OMC**) is a major advertising agency. The company is well run. It had a good first quarter performance.
2. The index hedging position (**MDY**) is the short position of S&P 400 Index EFT (The middle sized 400 company index). MDY was down in 2022 Q1. We made some profit here.
3. IShares S&P 500 Growth ETF (**IVW**) is another short position. The growth index was down in the first quarter. The profit is smaller because of a smaller position.
4. Fonar Corp. (**FONR**) is a small medical equipment company specialized in upright MRI scanner research and MRI medical office management. Their medical office management business makes steady income.
5. Genworth Mortgage Insurance (**GMA**) is an Australian mortgage insurance company. The stock price is below the tangible book value. The Australian housing market is stable and it performed well in the first quarter.

Our bottom 5 performers are:

1. Altice USA. (**ATUS**) is the fourth largest cable TV and internet operator in the US. We believed it was significantly undervalued and accumulated a relatively large position in 2021. It fell in the first quarter and we had a relatively large loss here.
2. Gilead Science (**GILD**) is one of our major positions. It is widely known for Remdesivir, the first FDA approved COVID-19 drug. However, the real profit center of this company is its HIV drugs. The market seems to underestimate the profitability of their HIV drugs and other drugs with great potentials.
3. Citi Group (**C**) is a recent position. It is one of the largest bank group in U.S. In a potential recession, the banking sector in generally does not perform well as the market. Citi also has significant international exposure. In the first quarter, Citi disclosed a potential loss in Russia and the price fell. This contributed to the losses here. However, we believe that Citi's stock price has adequately discounted the current bad news. The bank is not highly leveraged, and market price is about 40% lower than the tangible book value. We will continue to hold this stock.
4. Senvest Capital (**SEC**) is a Canadian asset management company. The company made a huge profit in the investment of GameStop in 2020 and early 2021. Its price went up in 2021 and it was one of our top 5 performers last year. The Q1 loss here may be just a pull back with the market.
5. MIND CTI Ltd (**MNDO**) is a small, Israeli based telecom software provider. It is one of our long term positions (since 2016). It has about a 10% dividend year over year. The small loss here was most likely due to market price fluctuation.

Major positions

Our top 5 positions and asset classes at the end of Q1 2022 were:



T: AT&T; AFL: AFLAC; ATUS: Alice USA; BTI: British American Tobacco.

We slightly increased our position in AT&T (T), ATUS and BTI. We also reduced position in OMC, which was in the top 5 of 2021 Q4. Total equity position increased by about 5%. The hedging position decreased from 44% to 37% because of price movement and our trading.

In summary, we outperformed the market in 2022 Q1. The main drivers are the rotation of value style and growth style stocks, as well as our hedging positions. Both factors reversed the trends that cause our underperformance during 2021. We see both trends continued in our favor in Q2.

Hua Wei, Ph.D., CFA on May. 18, 2022 in Orange, Ohio

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