

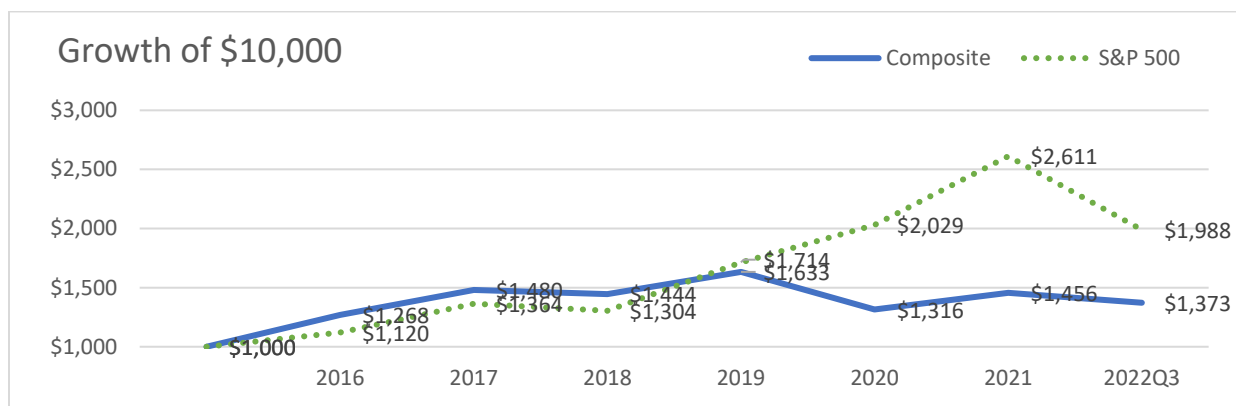
Spring Ocean Capital Newsletter 2022 Q3

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%
2022 Q1	-4.6%	7.6%
2022 Q2	-16.1%	-2.4%
2022 Q3	-4.9%	-10.1%
2022 Q1-Q3:	-23.9%	-5.7%

Assuming \$1,000 was invested at the beginning of 2016, the cumulative performance would be:

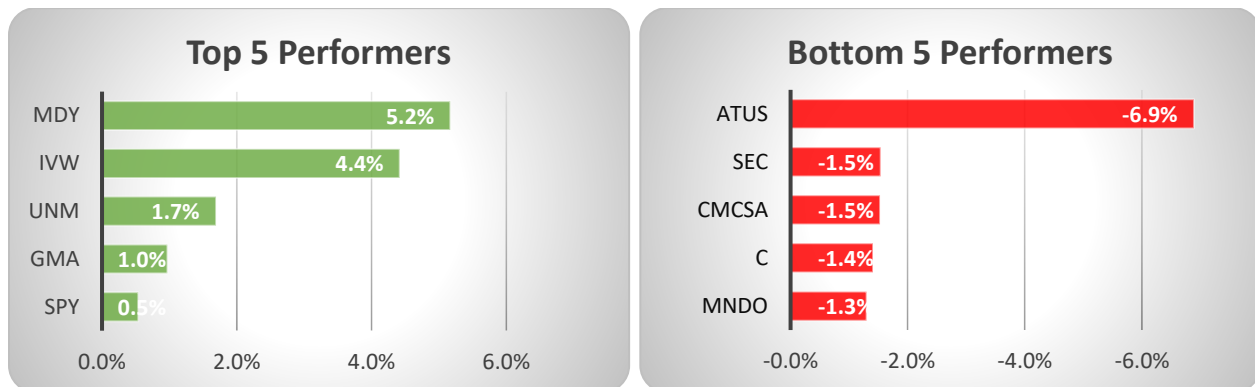


The S&P 500 total return index fell 4.9% in the third quarter, and 23.9% for the previous three quarters. We were down 10.1% in the third quarter and down 5.7% in the first three quarters.

In the third quarter, the market had a dramatic swing. It first rose about 10% in July, then fell 5% in August and 9% in September. The July rally looked like a bear market rebound. Growth style stock rose in July as the market expected inflation to slow and the Fed to ease interest rate soon. However, the inflation number remained high in August. Then, in September, the new British Prime Minister Truss announced a radical new tax reform, which spurred the market and led to sharp swings in the currency and bond markets, which in turn led to a panic sell-off in the stock market. Our portfolio did not catch much the July rally as we were focused on value style stocks. We were essentially flat in July and August. But the panic sell-off in September affected the entire market, and our portfolio was no exception, losing about 10% in that month.

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.

Our top and bottom five performers for the first 3 quarters of 2022 are listed below. The top 5 performers had a total PnL of 12.8%. The bottom 5 had a total PnL of -12.7%.



The top 5 performers are:

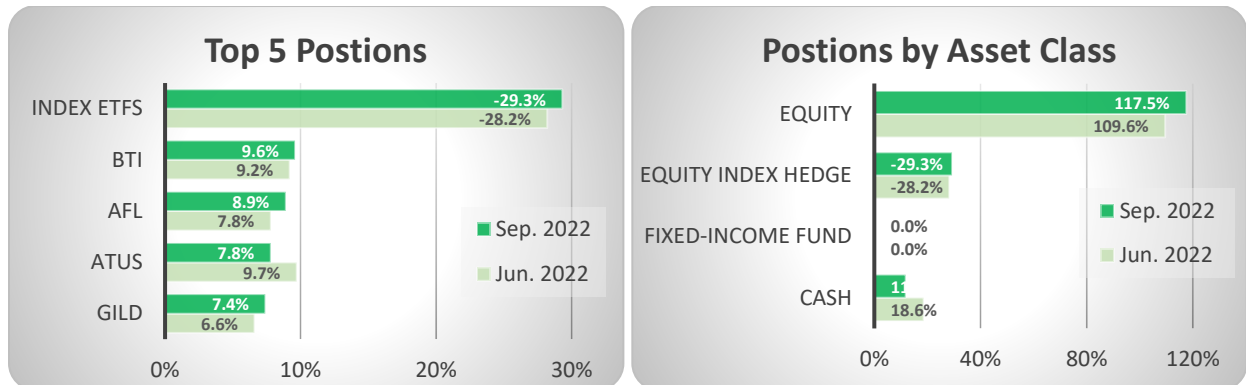
1. The index hedging position (**MDY**) is the short position of the S&P 400 Index ETF (the middle sized 400 company index). MDY was down in 2022, so we made some profit here.
2. IShares S&P 500 Growth ETF (**IVW**) is another short position. The growth index was down in the first three quarters and so we make money.
3. Unum Group (**UNM**) offers life and disability insurance products. We had a small position here and the stock performed well in the first half of the year. We closed this position in Q3.
4. Genworth Mortgage Insurance (**GMA**) is an Australian mortgage insurance company. The stock price has been relative stable in a market that has seen a lot of volatility this year.
5. IShares S&P 500 ETF (**SPY**) was a very small short position. We made small profit here as the market declined. We closed this position in Q2.

Our bottom 5 performers:

1. Altice USA. (**ATUS**) is the fourth largest cable TV and internet operator in the U.S. We believed it was heavily undervalued and accumulated a relatively large position in 2021. This year, they had a small subscriber loss and stock price fell a lot. We incurred a substantial loss here.
2. 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 stock price went up in 2021 and was in our top 5 performers last year. The loss this year was likely a pull back with the market.
3. Comcast (**CMCSA**), the largest cable TV and internet operator in the U.S, owns Universal and NBC media assets. Their media business is under pressure due to increased competition from internet streaming and cable cutting. However, their cable internet is still very profitable, although growing slowly.
4. 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 generally does not perform well. The exit from Russia and the general sentiment regarding a potential recession were the main reasons the loss in the first three quarters. 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.
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 likely due to market price fluctuation.

Major positions

Our top 5 positions and asset classes at the end of Q3 2022 were:



BTI: British American Tobacco; AFL: AFLAC; ATUS: Altice USA; GILD: Gilead;

ATUS' stock price had large swings in Q3. We cut some position in ATUS when the price was high and bought some back when price dropped. We also increased a small position in BTI. The other top positions changes are mainly due to price and cash movements. In terms of asset classes, total equity position was increased by about 8%.

In summary, we did not capture the market rebound in July due to the investing style difference, thus we underperformed the market in Q3. However, we still beat the market by a large margin during the first three quarters. We believe the stock market price has become more reasonable after the decline of the previous three quarters. But we still face a challenging economy with high inflation, tight monetary policy, and a potential recession. Our portfolios are well positioned to face these challenges.

Hua Wei, Ph.D., CFA on Nov. 19, 2022 in Orange, Ohio

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