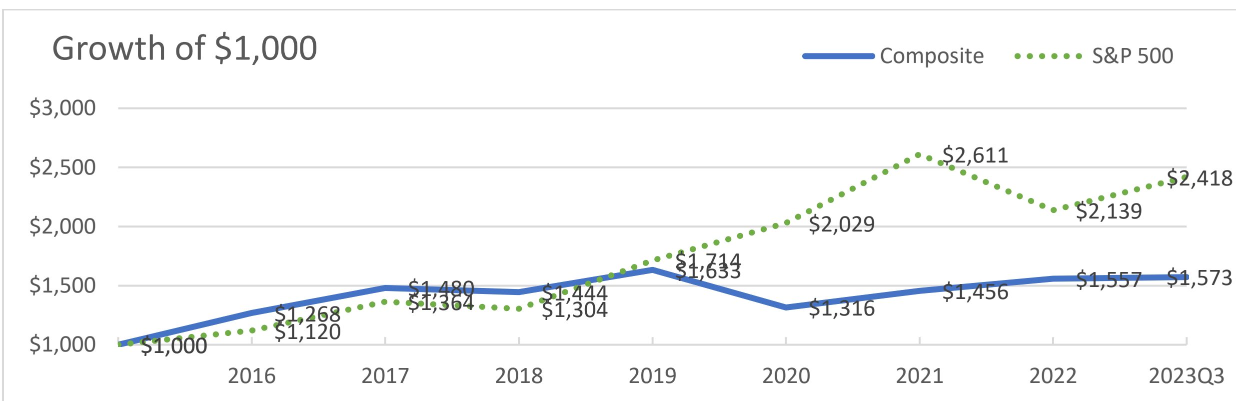
Spring Ocean Capital Newsletter 2023 Q3

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	-18.1%	7.0%
2023 Q1	7.5%	-2.4%
2023 Q2	8.7%	0.2%
2023 Q3	-3.3%	3.3%
2023 Q1-Q3:	13.1%	1.0%

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

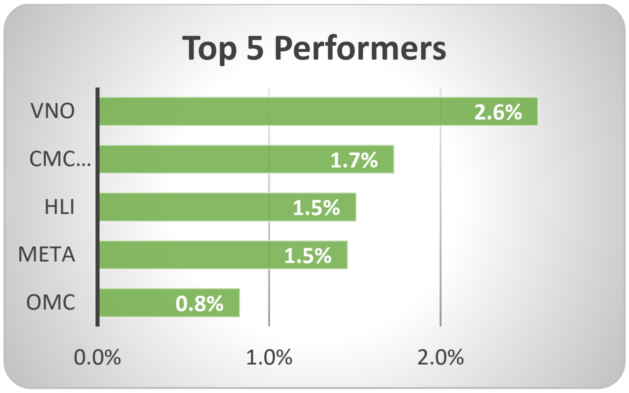


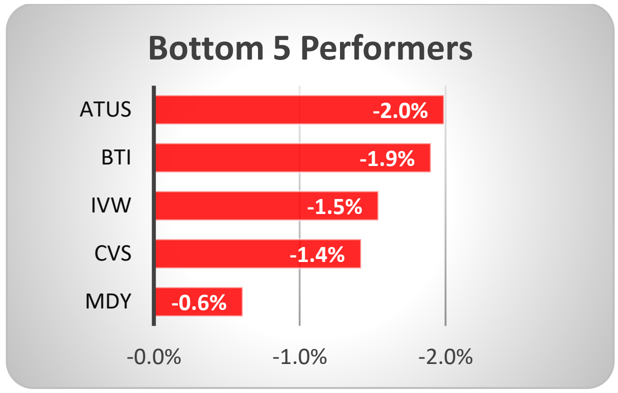
The S&P 500 total return index lost 3.3% in the third quarter. We increased 3.3% in the same period.

The stock market reversed previous upward trend in the first half and lost 3% in the third quarter. Our performance for this quarter was better compared to the market. This was partially due to our hedging positions, which proved beneficial during the market downturn, and partially attributed to some well-performing stocks picks, such as Vornado Realty Trust (VNO).

Our top and bottom five performers for the first three quarters are listed below. The top 5 performers had a total PnL of 8.1%. The bottom 5 had 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 performers are:

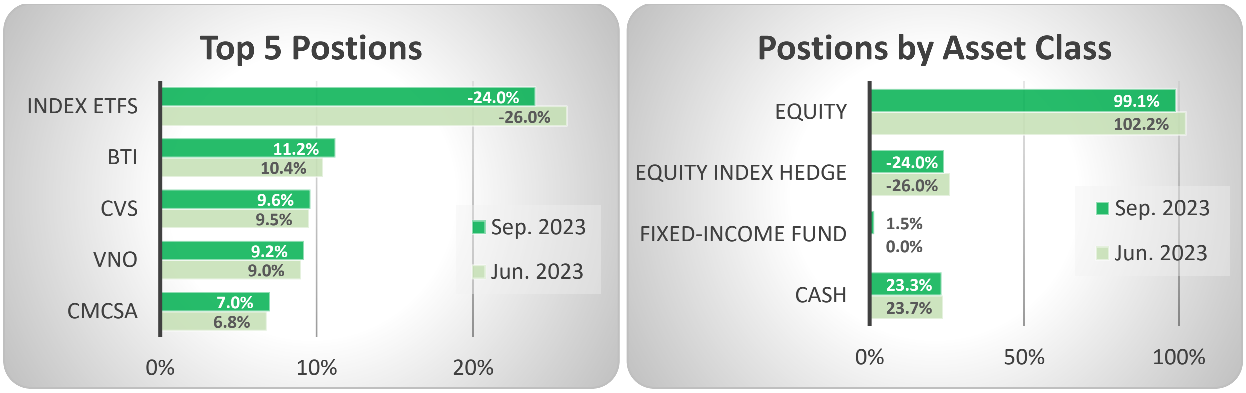
1. Vornado Realty Trust (**VNO**) is a Real Estate Investment Trust (REIT) with a collection of premier assets focused on the New York City office and retail market. We began buying this stock early this year when high interest rates, coupled with the work-from-home trend, made the commercial real estate market challenging. We believe the company has almost no chance of bankruptcy and will survive this downturn. Once the market returns to normal, the stock should be valued 2-3 times its current value. In the previous quarter, the economic situation does not improved much, but market sentiment improved, and the stock price almost doubled from its low point.
2. Comcast (**CMCSA**) is one of the largest cable and Media Company. It owns the Comcast cable network, NBCUniversal media, studios and theme parks, as well as the Sky network in Europe. Cable and the media sector is under stress due to cord-cutting and new competition from fixed wireless internet. Despite these challenges, Comcast's earnings held up well, and the stock performed OK in the first three quarters.
3. Helia Group (**HLI**), previously known as Genworth Mortgage Insurance, is an Australian mortgage insurance company. We have held this stock since 2018. The stock offers high dividend and has good performance this year.
4. Meta (Parent of Facebook) (**META**) was our new position in the tech sector last year and experienced significant volatility form last year to this year. We have closed the position.
5. Omnicom Group (**OMC**) is a major advertising agency. It had a good first half performance.

Our bottom 5 performers:

1. Altice USA. (**ATUS**) is the fourth-largest cable TV and internet operator in the U.S. With a substantial debt load on its balance sheet, the recent interest rate hikes have increased difficulty in servicing and renewing its debt, putting the stock under stress.
2. British American Tobacco (**BTI**) owns brands like Dunhill, Kent, and Camel. It is now one of our largest position. We like its stable earnings and dividends, which are especially valuable in the current uncertain environment.
3. The IShares S&P 500 Growth ETF (**IVW**) is a short position. The growth index was up in this year and we had a loss here.
4. CVS health care (**CVS**) is one of the largest pharmacy service and health insurance companies. It has stable earnings. The price decrease is primarily attributed to movements in the health insurance sector.
5. The S&P MidCap 400 ETF (**MDY**) is a short position. The mid-cap index was up in the first three quarters and we had a loss here.

Major positions

Our top 5 positions and asset classes at the end of Q3 2023 were:



BTI: British American Tobacco; CVS: CVS Health; VNO: Vornado REITs; CMCSA: Comcast Corp;

We slightly increased our positions in BTI, CVS, and sold some positions in VNO (the weight increases is due to price movement). Additionally, our hedge positions in Index ETF decreased as a result of price movement.

In terms of asset classes, we reduced our equity position by an additional 3% and decreased the hedging position by about 2%.

In summary, we have a strong quarter in Q3. Despite the market downturn, we achieved a 3% advanced. Regarding the market conditions, a tight monetary policy and the inverted yield curve persist. The inverted yield curve, where short-term yields surpass long-term yields, typically serves a robust leading indicator of a recession, but sometimes with long (1-2 years) lead time. We will continue to closely monitor both the market and the fundamentals of our portfolio companies.

Hua Wei, Ph.D., CFA   on Nov. 15, 2023 in Orange, Ohio

Portfolio Manager, Founder,
Spring Ocean Capital LLC   http://www.SpringOceanCapital.com