# Spring Ocean Capital Newsletter 2024 Q2

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	26.3%	7.3%
2024 Q1	11.6%	-1.4%
2024 Q2	3.3%	-5.3%
2024 First Half	15.3%	-6.6%

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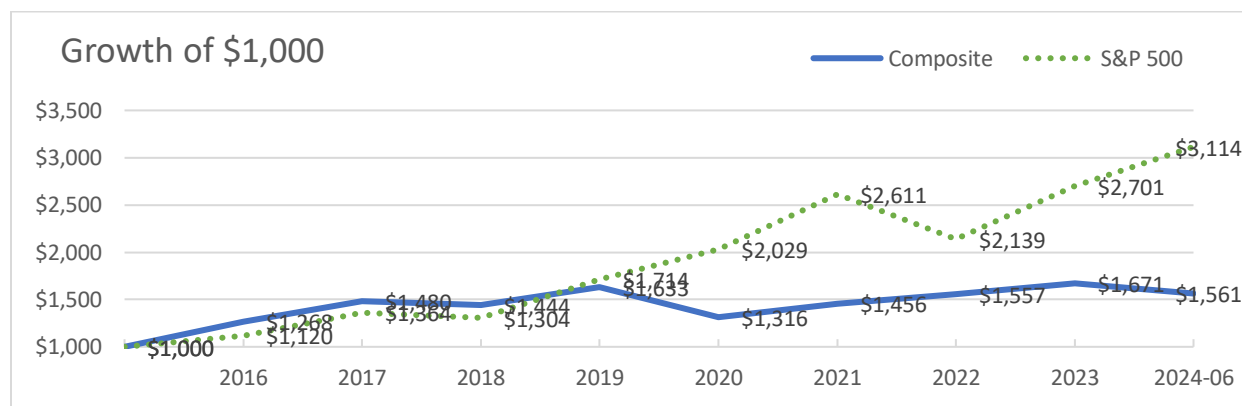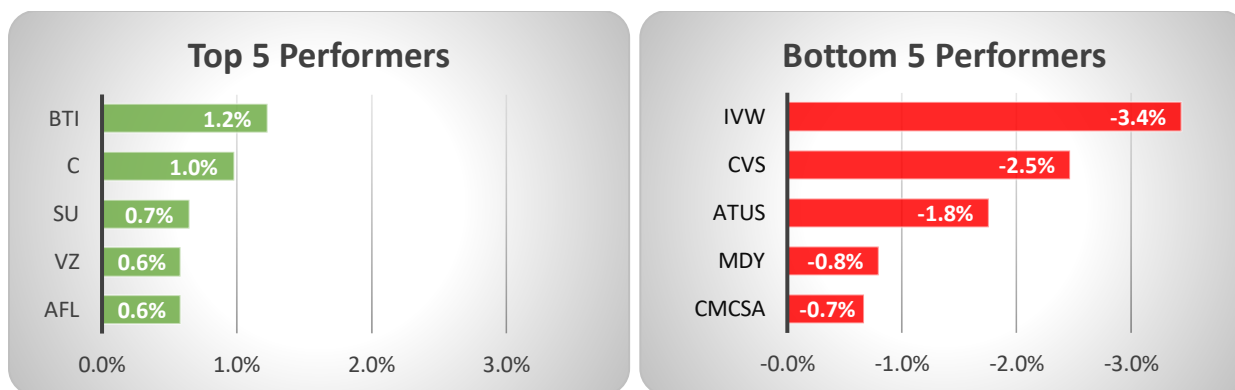

The S&P 500 total return index increased 3.3% in the second quarter, while our portfolio decreased by 5.3% during the same period.

Our performance for this quarter lagged behind the market, primarily due to the performance of the health care sector. Our major holding in CVS underperformed, resulting in approximately a 4% lag. Additionally, our underweight exposure in the technology sector and our selection in the telecommunications sector each contributed to about 2% of the underperformance.

Below are our top and bottom five performers for the quarter. The top 5 performers generated a total profit of 4%, while the bottom 5 had a total loss of -9.2%.

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[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.

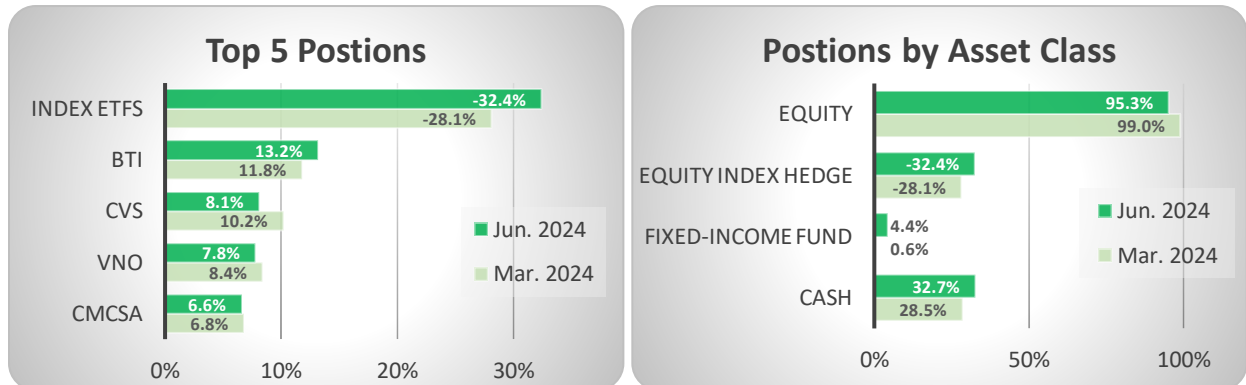| Top 5 Performers		Bottom 5 Performers	
BTI	1.2%	IVW	-3.4%
C	1.0%	CVS	-2.5%
SU	0.7%	ATUS	-1.8%
VZ	0.6%	MDY	-0.8%
AFL	0.6%	CMCSA	-0.7%

The top 5 performers are:

1. British American Tobacco (**BTI**) owns brands like Dunhill, Kent, and Camel. It has become one of our largest positions. We appreciate its stable earnings and dividends, which are particularly valuable in the current uncertain environment.
2. Citi Group (**C**) is one of the largest banking groups in the U.S. We have held this position for a couple of years. The bank is not highly leveraged, and its market price is currently about 40% below its tangible book value. The stock rebounded in the first quarter, in line with the broader financial sector.
3. Suncor energy (**SU**) is a major integrated energy company in Canada. Its key assets include oil sands and the downstream refining business. The company is highly profitable and the energy sector is performing well.
4. Verizon (**VZ**) is the largest wireless carrier in U.S. The stock price was depressed last year, we bought some positions. The price appreciated in the first quarter and held steady in the second quarter.
5. Aflac Inc. (**AFL**) is a large insurance company that derives the majority of its revenue from Japan. We began accumulating the position in 2020. It was one of our top performers in 2021 and 2022 and has performed well this year.

Our bottom 5 performers are as follows:

1. The IShares S&P 500 Growth ETF (**IVW**) is a short position. The growth index increased in the first half, resulting in a loss for us.
2. CVS health care (**CVS**) is one of the largest pharmacy service and health insurance companies. It has stable earnings. The price decrease in first half is primarily attributed to a surprise in the health insurance segment, where a higher surgical utilization rate increased their costs. We believe this is a one-time event that they can remedy by increasing their insurance premium in the next year.
3. 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 rapid interest rate hikes have made it challenging to service and renew its debt, putting the stock under stress. Our loss continued into the first half of the year.
4. The S&P Midcap 400 ETF (**MDY**) is a short position. The mid-cap index increased only slightly in the first half, leading to a small loss for our position.
5. Comcast (**CMCSA**) is one of the largest cable and media companies. It owns the Comcast cable network, NBCUniversal media, studios and theme parks, as well as the Sky network in Europe. The cable and the media sector is under stress due to cord-cutting and new competition from fixed wireless internet and fiber builders. It was in our top 5 performers last year. This year earnings have been steady, and the stock price has decreased slightly.

Major positions

Our top 5 positions and asset classes at the end of Q2 2024 were as follows:

Top 5 Postions

Position	Jun. 2024	Mar. 2024
INDEX ETFS	-32.4%	-28.1%
BTI	13.2%	11.8%
CVS	8.1%	10.2%
VNO	7.8%	8.4%
CMCSA	6.6%	6.8%

Postions by Asset Class

Asset Class	Jun. 2024	Mar. 2024
EQUITY	95.3%	99.0%
EQUITY INDEX HEDGE	-32.4%	-28.1%
FIXED-INCOME FUND	4.4%	0.6%
CASH	32.7%	28.5%

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

In Q2, we slightly decreased our position in VNO. The other weight changes were due to price and cash movements. In terms of asset classes, we decreased our equity position by 3.7%, increased our fixed-income fund by 4.4%, and increased the hedging position by approximately 4.2%.

In summary, our performance in Q2 2024 lagged behind the general market. We will continue to closely monitor both the market and the fundamentals of our portfolio companies.

Hua Wei, Ph.D., CFA   on Aug. 17, 2024 in Orange, Ohio

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