

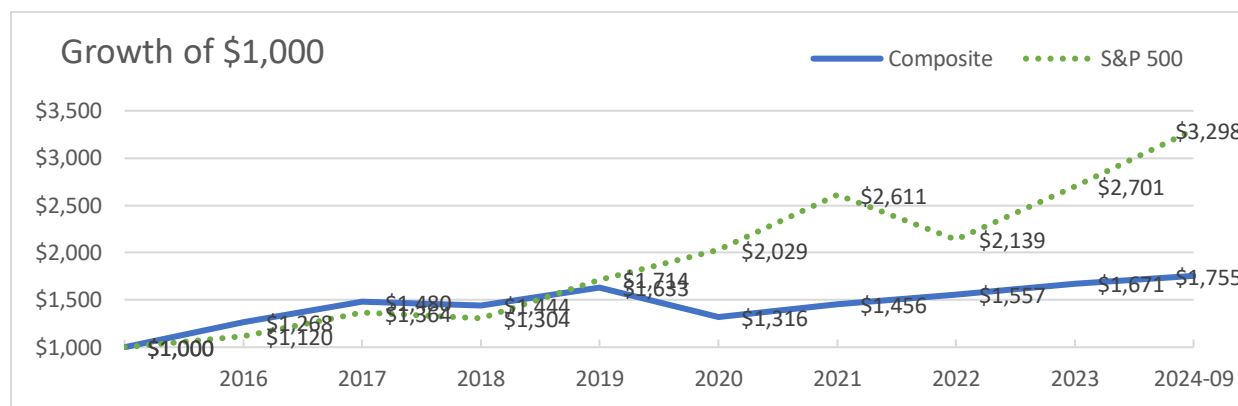
Spring Ocean Capital Newsletter 2024 Q3

Portfolio Performance

Our portfolio performance was as follows:

	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 Q3	5.9%	12.4%
2024 Q1-Q3	22.1%	5.0%

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

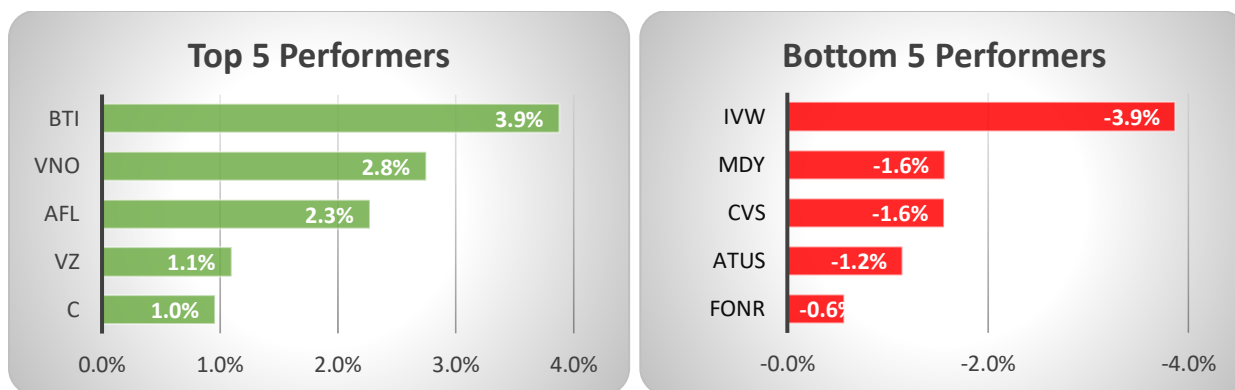


The S&P 500 total return index increased 5.9% in the third quarter, while our portfolio increased by 12.4% during the same period.

Our performance this quarter outpaced the market, primarily driven by the strong results from the consumer non-cyclical, finance, and telecom sectors.

Below are our top and bottom five performers for the first three quarters. The top five performers delivered a total profit of 11%, while the bottom five incurred a total loss of -8.7%.

¹ We used the Interactive Brokers' 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 P&L report). Performance data are not audited. Individual account performance may vary.



The top 5 performers are:

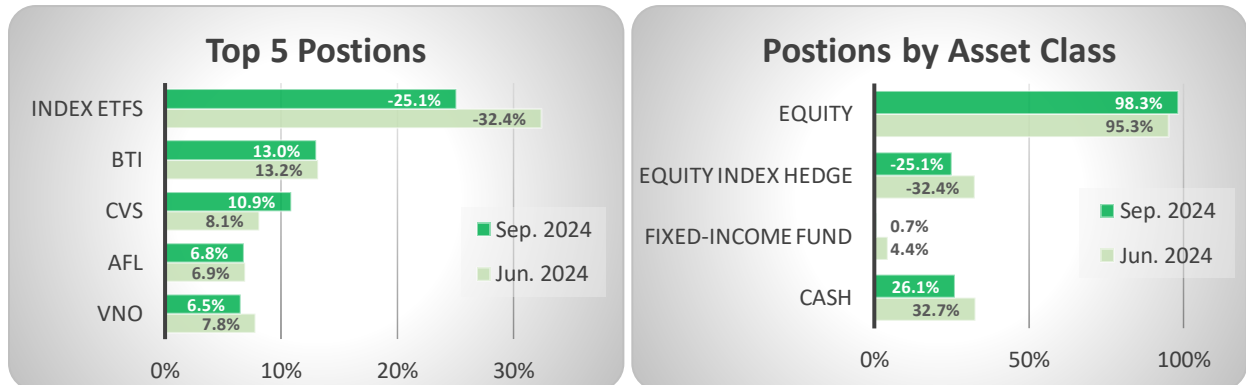
1. British American Tobacco (**BTI**) owns brands like Dunhill, Kent, and Camel. It has become one of our largest positions. We value its stable earnings and dividends, which are especially important in the current uncertain environment. Our substantial investment in this stock contributed significantly to our total returns as it performed well this year.
2. Vornado Realty Trust (**VNO**) is a Real Estate Investment Trust (REIT) that owns premier office and retail assets in the New York City market. We previously anticipated that, once market conditions normalized, the stock could reach a price 2-3 times our acquisition cost. This prediction materialized earlier than expected, resulting in substantial returns.
3. Aflac Inc. (**AFL**) is a large insurance company, with most of its revenue coming from Japan. We began accumulating the position in 2020. It was among our top performers in 2021 and 2022 and has continued to deliver strong results this year.
4. Verizon (**VZ**) is the largest wireless carrier in US. The stock price was depressed last year, we bought some positions. The price appreciated in the first and the third quarter.
5. Citi Group (**C**) is one of the largest banking groups in the US. We have held this position for a couple of years. The bank's conservative leverage and current market valuation—around 40% below its tangible book value—make it attractive. The stock rebounded in the first quarter, aligning with broader financial sector trends.

Our bottom 5 performers are as follows:

1. The IShares S&P 500 Growth ETF (**IVW**) is a short position. The growth index increased during the first three quarters, resulting in a loss for us.
2. The S&P Midcap 400 ETF (**MDY**) is another short position. The mid-cap index also increased in the first three quarters, causing a small loss for this position.
3. CVS Health Care (**CVS**) is one of the largest pharmacy service and health insurance companies. It is currently facing challenges in its insurance segment. To address these issues, CVS has replaced its CEO and brought in a seasoned executive from UnitedHealth to lead a turnaround in this segment.
4. Altice USA (**ATUS**) is the fourth-largest cable TV and internet operator in the US. The company's substantial debt burden has been exacerbated by rapid interest rate increases last year, making it difficult to service its obligations. This financial pressure has continued to weigh on the stock, resulting in ongoing losses.
5. Fonar Corp. (**FONR**) is a small medical equipment company specializing in upright MRI scanner research and MRI medical office management. Their medical office management business generate steady income. The small loss here may be due to price fluctuations.

Major positions

Our top 5 positions and asset classes at the end of Q3 2024 were as follows:



BTI: British American Tobacco; CVS: CVS Health; AFL: Aflac Insurance; VNO: Vornado REITs

In Q3, we reduced our hedging position in index ETFs, slightly trimmed our holdings in BTI, AFL, VNO, and increased our position in CVS. Regarding asset allocation, we increased our equity position by 2.6%, reduced our fixed-income fund by 3.7%, and decreased our hedging position by approximately 7.3%.

In summary, we had a strong third quarter. The market favored value style stocks this quarter, and our significant allocation to value oriented stocks contributed positively to our performance. However, we remain underperforming year to date due to weak results in the first two quarters.

Hua Wei, Ph.D., CFA on Nov. 18, 2024 in Orange, Ohio

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