

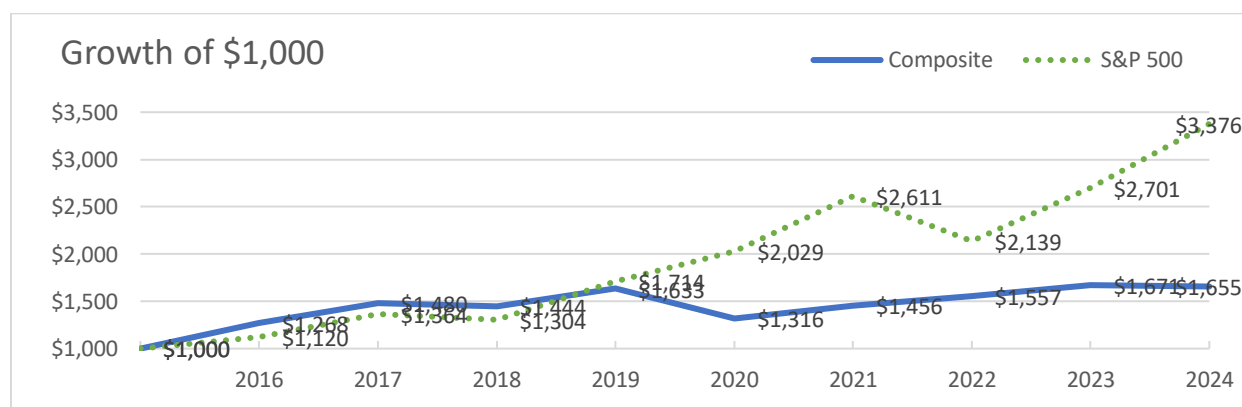
# Spring Ocean Capital Newsletter 2024 Q4

## Portfolio Performance

Our portfolio performance was as follows:

|                | S&P 500 Total Return | Spring Ocean Composite <sup>1</sup> |
|----------------|----------------------|-------------------------------------|
| 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 Q4        | 2.4%                 | -5.7%                               |
| 2024 full year | 25.0%                | -1.0%                               |

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

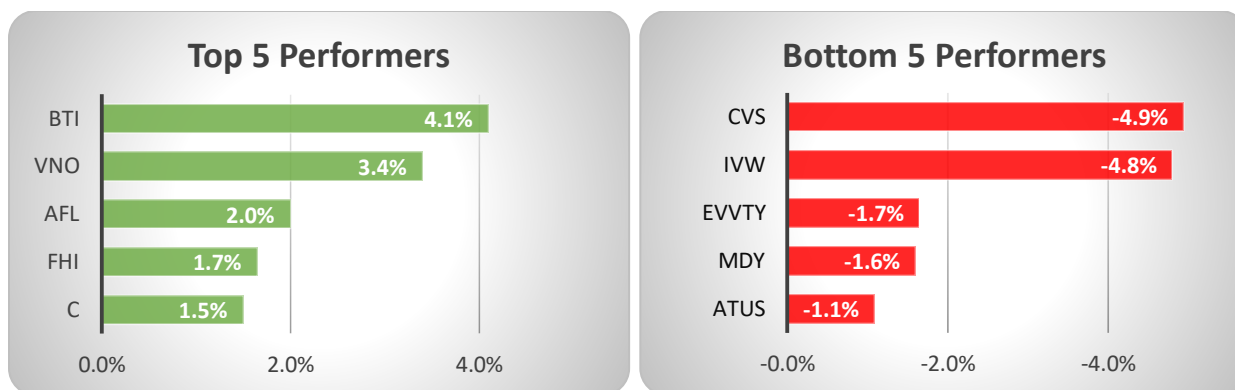


The S&P 500 Total Return index increased by 2.4% in the third quarter, while our portfolio decreased by 5.7% during the same period.

The market experienced significant shifts in December, with value-oriented indices declining by approximately 7% while growth-oriented indices remained flat. As a value-focused portfolio, we incurred losses in the fourth quarter.

Below are our top and bottom five performers for the year. The top five performers generated a total profit of 12.6%, while the bottom five resulted in a total loss of 13.6%.

<sup>1</sup> 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**): BTI owns globally recognized brands such as Dunhill, Kent, and Camel. It has become one of our largest positions due to its stable earnings and reliable dividends, which are particularly valuable in the current uncertain economic environment. Our significant investment in this stock contributed substantially to our total returns, as it delivered strong performance last 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 for the year.
3. Aflac Inc. (**AFL**) is a large insurance company, with the majority of its revenue generated in 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 last year.
4. Federated Hermes Inc. (**FHI**) is a mutual fund management company specializing in fixed-income investing. Its revenue, primarily derived from asset management fee, is closely tied to the performance of the stock market.
5. Citi Group (**C**) is one of the largest banking groups in the U.S. We have held this position for several years. The stock performed well last year, aligning with the broader financial sector's recovery.

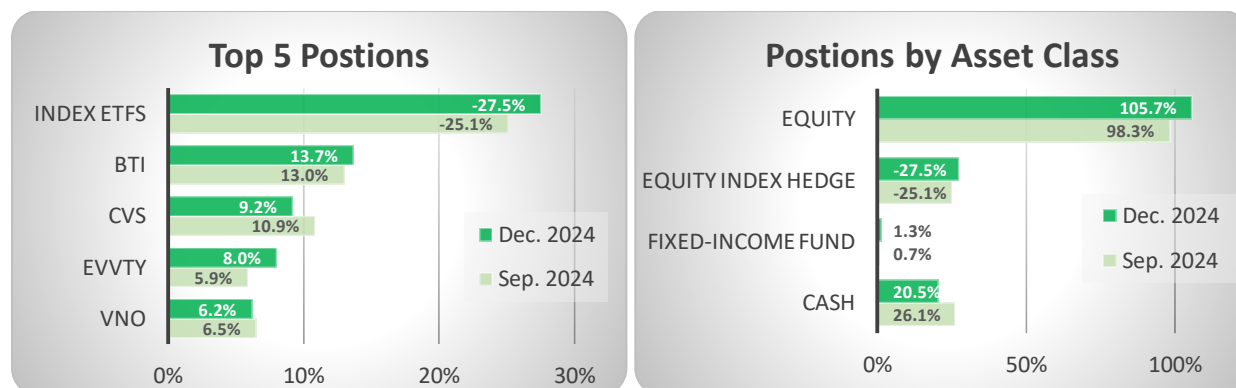
Bottom 5 performers are:

1. CVS Health Care (**CVS**) is one of the largest pharmacy service and health insurance companies in the U.S. It is currently facing challenges in its insurance segment, prompting the company to take corrective measures, including the replacement of its CEO. Additionally, an unfortunate incident in December 2024—where Luigi Mangione killed UnitedHealth Group's CEO—sparked widespread public sympathy for Luigi and heightened animosity toward insurance companies. This sentiment negatively impacted the entire health insurance sector during that period. However, we believe these issues are temporary. While CVS carries some political risk, its current valuation more than compensates for these concerns.
2. The iShares S&P 500 Growth ETF (**IVW**) is a short position. The growth index increased in 2024, resulting in a loss for us.
3. Evolution AB. (**EVVTY**) provides online casino system to gaming operators. We initiated this position in the second half of 2024. Evolution is growing at nearly 20% annually but is valued at a modest 12x P/E ratio, making it a rare find in today's market.
4. The S&P Midcap 400 ETF (**MDY**) is another short position. The mid-cap index also increased in 2024, causing a small loss for this position.

5. Altice USA (**ATUS**) is the fourth-largest cable TV and internet operator in the U.S. The company's significant debt burden has been further strained by rapid interest rate increases in recent years, making it increasingly difficult to service its obligations. This financial pressure has continued to weigh on the stock, resulting in ongoing losses.

## Major positions

Our top 5 positions and asset classes at the end of Q4 2024 were as follows:



BTI: British American Tobacco; CVS: CVS Health; EVVTY: Evolution AB; VNO: Vornado REITs

In Q4, we increase positions in CVS and EVVTY, while slightly trimming our holdings in VNO. Changes in the weight of other top positions were due to price movements. Regarding asset allocations, we increased our equity position by 7.4% and raised our fixed-income fund allocation by 0.6%. Additionally, our hedging position increased by 1.6% due to price movements.

In summary, our fourth quarter performance, as well as whole year results, were disappointing. The market favored value style stocks in the third quarter, and our significant allocation to value oriented stocks contributed positively to our performance during that period. However, we underperform in 2024 due to weak results in the first two quarters and the fourth quarter.

Hua Wei, Ph.D., CFA on Feb. 18, 2025 in Orange, Ohio

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