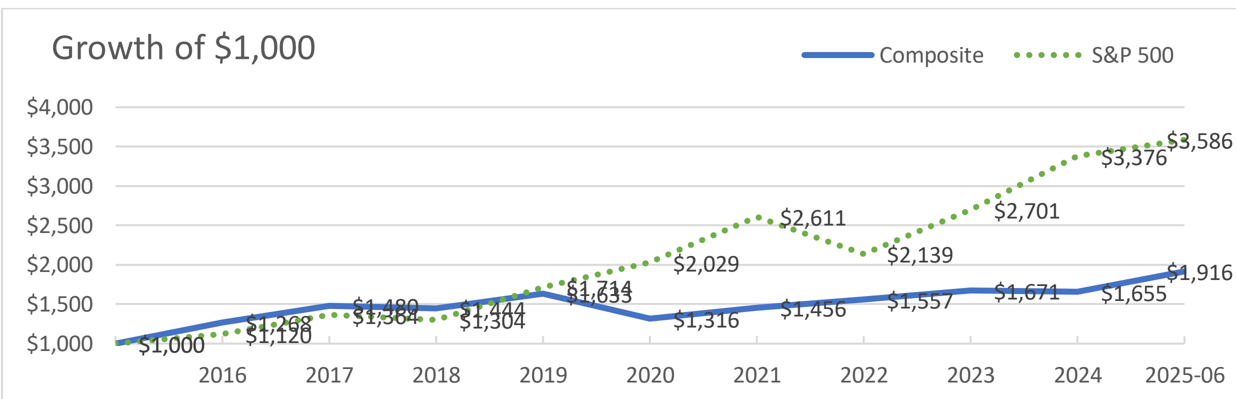
Spring Ocean Capital Newsletter 2025 Q2

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	25.0%	-1.0%
2025 Q1	-4.3%	12.1%
2025 Q2	10.9%	3.3%
2025 Q1-Q2	6.2%	15.8%

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



The S&P 500 Total Return index increased by 10.9% in the second quarter, while our portfolio rose by 3.3% during the same period.

While our portfolio significantly outperformed the S&P 500 Total Return index in the first quarter of 2025, the second quarter presented a different market environment. This reversal was driven by renewed investor enthusiasm for growth-oriented stocks, particularly in the technology and communication sectors, which led the broader market higher. In contrast, value-oriented sectors — such as financials, energy, and healthcare — saw more modest gains. As a value-focused portfolio, our performance lagged the broader index during this growth-led rally.

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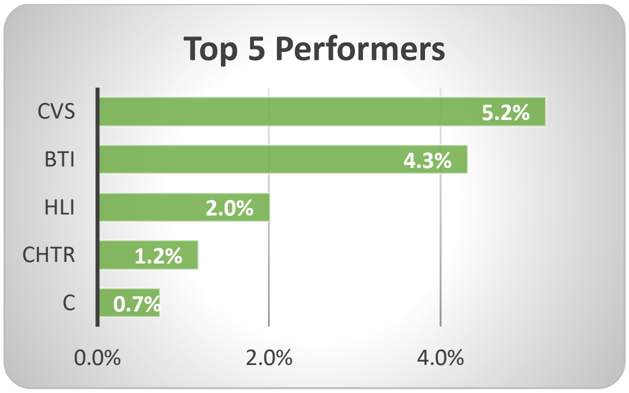
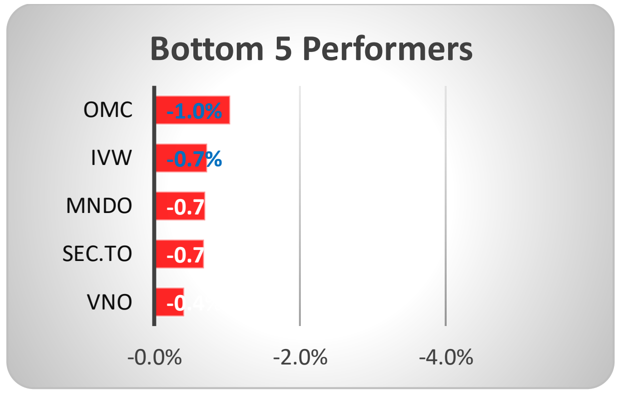
[1] We used the Interactive Brokers' portfolio analytic data output. It included all actively managed accounts after all expenses and fees but excluded passive managed accounts. For detailed monthly return data, please see the other report (IB portfolio monthly P&L report). Performance data are not audited. Individual account performance may vary.

Below are our top and bottom five performers for the quarter. The top five performers generated a total profit of 13.5%, while the bottom five resulted in a total loss of 3.6%.





The top 5 performers are:

1. **CVS Health** (**CVS**) is one of the largest pharmacy services and health insurance companies in the U.S. After rebounding in Q1 from a difficult 2024, the company continued to stabilize as management reaffirmed guidance and took steps to improve operational efficiency. While uncertainties remain in the healthcare services segment, we believe the valuation is compelling, and the stock is positioned for further recovery.
2. **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. In a quarter dominated by growth stock outperformance, BTI's resilience reaffirmed the defensive quality of our value-oriented holdings.
3. **Helia Group** (**HLI**), previously known as Genworth Mortgage Insurance, is an Australian mortgage insurance company. The company's fundamentals remain sound, supported by strong underwriting standards and a stable Australian housing market. Its attractive dividend yield continues to contribute meaningfully to total return.
4. **Charter Communications (CHTR):** The stock posted modest gains, as broadband subscriber trends showed signs of stabilization. While the company faces competitive pressure from fiber and fixed wireless, we believe its valuation has priced in many of the risks, and we continue to hold based on long-term cash flow generation potential.
5. **Citigroup (C)**: While performance was muted relative to the broader market, the company remains attractively valued. Management's focus on cost control and simplification of the business continues, though progress has been gradual. We remain patient with the position given its discount to tangible book value and improving capital return outlook.

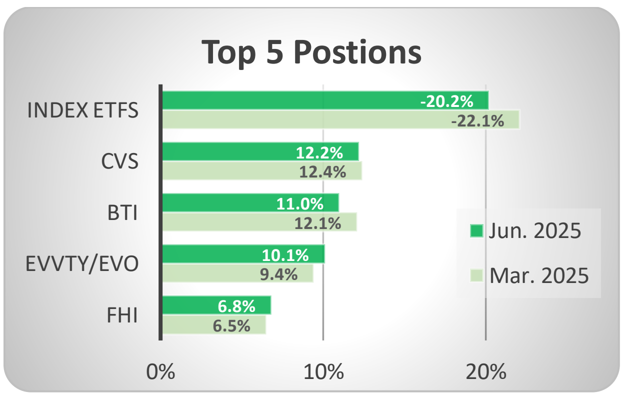
Bottom 5 performers are:

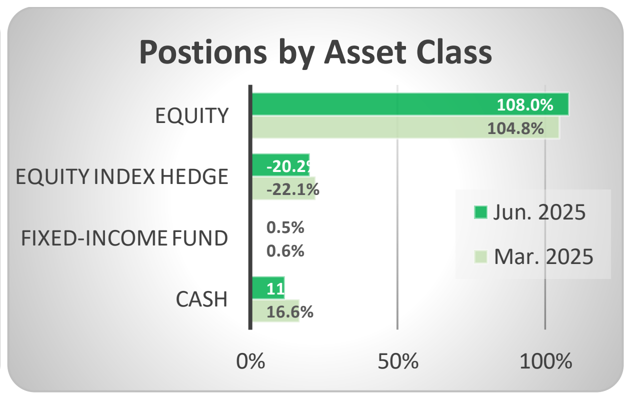
1. **Omnicom Group (OMC):** OMC declined by 1.0% year-to-date, making it our worst-performing position so far in 2025. The company faced headwinds from reduced advertising budgets in key sectors and cautious forward guidance. While we still believe in the long-term strength of Omnicom's agency network and client relationships, we are monitoring the impact of macroeconomic softness on media spending.
2. The **iShares S&P 500 Growth ETF** (**IVW**) is a short position. After a profitable first quarter, the position posted a year-to-date loss of 0.7% by the end of Q2. The rebound in mega-cap tech stocks was a key driver. We continue to view this as a partial hedge against valuation risk in overheated segments of the market.

3. **MIND CTI Ltd** (**MNDO**) is a small telecom software provider based in Israel. It remains a long-term holding in our portfolio. While the company continues to provide a high dividend yield, investor sentiment remains weak due to conservative revenue forecasts and geopolitical uncertainty in the region. We are maintaining the position given its steady cash flow and niche market presence.
4. **Senvest Capital (SEC.TO)**: Senvest declined 0.7% year-to-date. As a Canadian investment holding company with a concentrated and sometimes volatile portfolio, quarterly performance can be lumpy. We continue to view it as a unique value opportunity with long-term upside, though short-term fluctuations are expected.
5. **Vornado Realty Trust (VNO):** VNO has pulled back 0.4% year-to-date, after strong gains in 2024. While we trimmed the position last year, the stock remains under pressure due to ongoing concerns about office real estate demand in urban centers, particularly New York City. However, we believe the market may be overly pessimistic, and we continue to hold a reduced but strategic position.

Major positions

Our top 5 positions and asset classes at the end of Q2 2025 were as follows:





CVS: CVS Health; BTI: British American Tobacco; EVVTY/EVO: Evolution AB; FHI: Federated Hermes Inc

In Q2, we slightly trimmed our positions in index ETFs and BTI. Regarding asset allocation, we increased our equity exposure by 3.2%. Additionally, our hedging position decreased by 1.9%.

Despite underperforming the index in Q2, our portfolio remains well-positioned for long-term capital preservation and risk-adjusted returns. The underlying fundamentals of our holdings remain strong, and we continue to emphasize disciplined valuation and downside protection in an increasingly volatile macroeconomic environment.

Hua Wei, Ph.D., CFA on Aug. 1, 2025 in Orange, Ohio

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