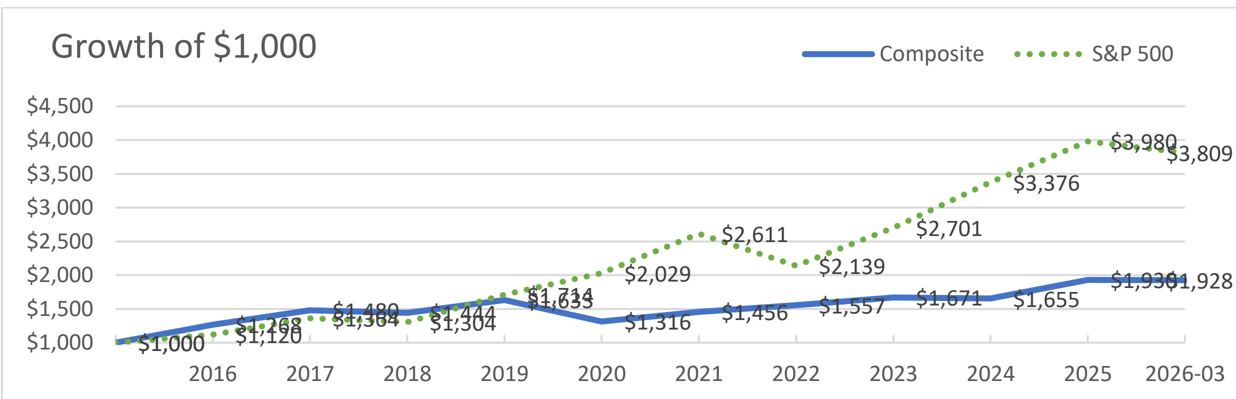
Spring Ocean Capital Newsletter 2026 Q1

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	17.9%	16.6%
2026 Q1	-4.3%	-0.1%

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



The S&P 500 Total Return index declined 4.3% in the first quarter of 2026, while our portfolio declined 0.1% over the same period.

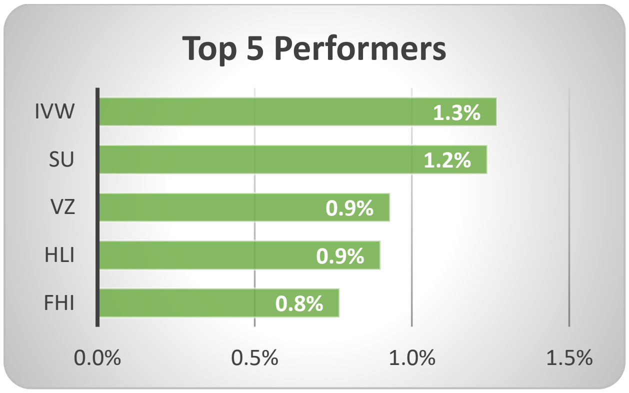
A sharp rotation away from growth stocks drove the broader market lower in Q1. After leading the market higher in 2025, technology and large-cap growth stocks faced significant selling pressure amid concerns about elevated valuations and macroeconomic uncertainty. The selloff in growth names validated our concerns about valuation risk in the most overheated segments of the market.

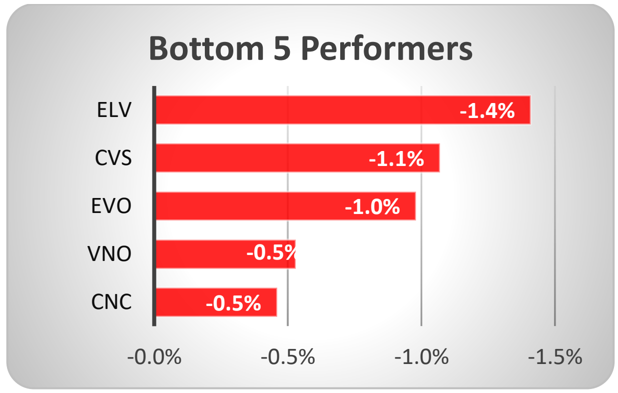
Our portfolio's defensive positioning served us well during this downturn. Short positions in growth ETFs, which were a headwind during the 2025 growth rally, became the largest source of positive performance.

[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.

Meanwhile, our value-oriented holdings in energy, telecommunications, and financials demonstrated resilience, cushioning the portfolio against the broader market decline.

Below are our top and bottom five performers for the quarter. The top five performers generated a total profit of 5.1%, while the bottom five resulted in a total loss of 4.6%.





The top 5 performers are:

1. **The iShares S&P 500 Growth ETF** (**IVW**) is a short position maintained as a partial hedge against valuation risk in overheated segments of the market. As growth stocks sold off during the quarter, these short positions generated significant profits. We continue to hold a reduced short position as a hedge against further valuation compression in growth-oriented equities.
2. **Suncor Energy (SU)** is one of Canada's largest integrated energy companies with substantial oil sands operations. The stock benefited from rising crude oil prices and strong operational cash flows during the quarter. Suncor's integrated business model and commitment to shareholder returns through dividends and buybacks support its position in our portfolio.
3. **Verizon Communications (VZ)** is one of the largest U.S. wireless carriers and broadband providers. In a quarter marked by market volatility, Verizon provided stability through its defensive characteristics, predictable cash flows, and attractive dividend yield. The company continues to benefit from steady wireless service revenue and an expanding broadband subscriber base**.**
4. **Helia Group** (**HLI**), previously known as Genworth Mortgage Insurance, is an Australian mortgage insurance company. The company's fundamentals remain solid, supported by strong underwriting standards and a stable Australian housing market. Its attractive dividend yield continues to contribute meaningfully to total return.
5. **Federated Hermes Inc. (FHI)** is an asset management company with a strong focus on fixed-income and money market products. The stock benefited from steady inflows into its cash management and short-duration strategies as investors sought safety amid market uncertainty. FHI' s capital-light business model and high payout ratio continue to support shareholder returns.

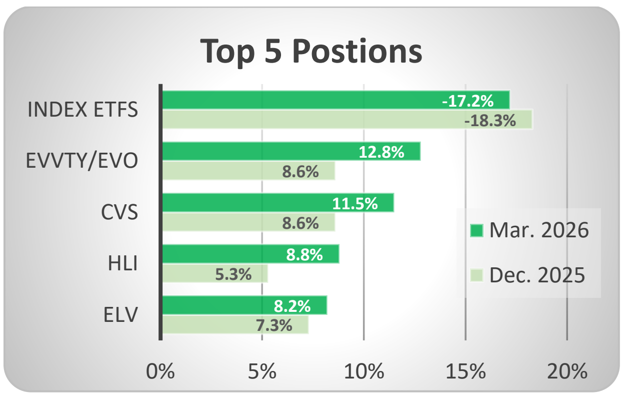
Bottom 5 performers are:

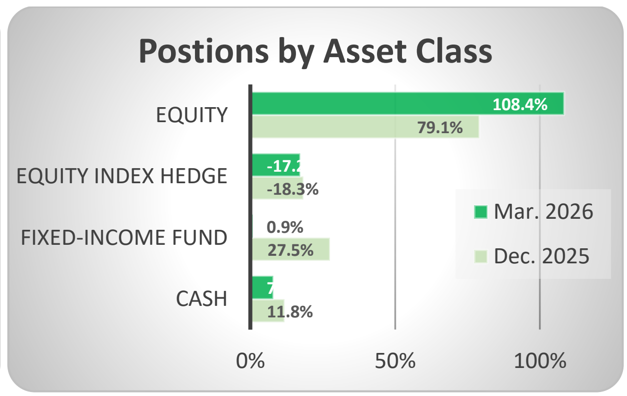
1. **Elevance Health (ELV),** formerly Anthem, is one of the largest health insurers in the U.S. The stock declined during the quarter amid concerns about medical cost trends and regulatory uncertainty in the managed care sector. Despite near-term headwinds, we believe the company's scale, diversified product portfolio, and strong market position provide a solid foundation for long-term value creation.
2. **CVS Health (CVS)** is one of the largest pharmacy services and health insurance companies in the U.S. The stock continued to face pressure as investor concerns about the healthcare services segment and retail pharmacy challenges persisted. While the turnaround is taking longer than anticipated, we maintain our position based on the company's diversified healthcare platform and compelling valuation.

3. **EVO/EVVTY (Evolution AB)** provides online casino systems to gaming operators. The stock declined as growth concerns weighed on the shares following a period of slower revenue expansion. After several years of rapid growth, the company is navigating a more mature phase, though its market-leading position and strong cash generation remain intact.
4. **Vornado Realty Trust (VNO)** is a real estate investment trust focused on New York City office and retail properties. The stock declined amid ongoing concerns about office sector fundamentals and the broader commercial real estate environment. While occupancy trends in prime locations are gradually improving, the recovery timeline remains uncertain.
5. **Centene Corp (CNC)** is a managed care organization focused on government-sponsored healthcare programs including Medicaid and Medicare. The stock faced headwinds from policy uncertainty and concerns about Medicaid enrollment trends. We continue to hold the position given its low valuation and the essential nature of its services, while monitoring the evolving regulatory environment.

Major positions

Our top 5 positions and asset classes at the end of Q1 2026 were as follows:





EVVTY/EVO: Evolution AB; CVS: CVS Health; HLI: Helia Group; ELV: Elevance Health;

In Q1, we maintained a defensive posture in response to elevated valuations in growth-oriented segments of the market. Our short positions in growth and mid-cap ETFs, which serve as a partial hedge, represent our largest active exposure at approximately 17% of portfolio assets. Our long equity exposure remains concentrated in value-oriented names where we see attractive risk-reward profiles. Fixed-income exposure was modestly reduced as we selectively deployed capital during market weakness.

While the market environment in Q1 validated our cautious stance on overvalued growth stocks, we remain focused on capital preservation and long-term value creation. Our portfolio's defensive characteristics and hedged positioning helped protect capital during a period of market stress. We continue to prioritize disciplined valuation, cash-flow strength, and downside protection as we navigate an uncertain macroeconomic landscape.

Hua Wei, Ph.D., CFA on May 20, 2026 in Orange, Ohio

Portfolio Manager and Founder,
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