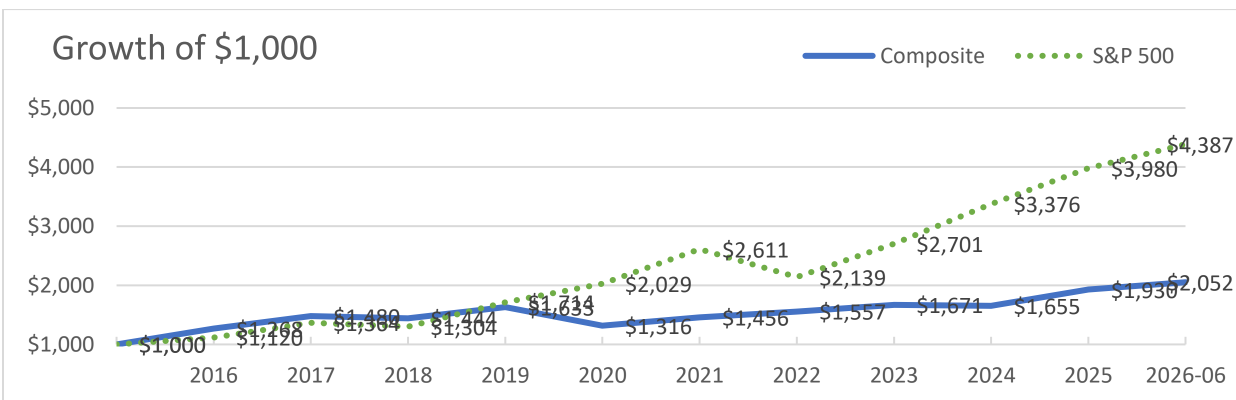
Spring Ocean Capital Newsletter 2026 Q2

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	17.9%	16.6%
2026 Q1	-4.3%	-0.1%
2026 Q2	15.2%	6.5%
2026 first Half:	10.2%	6.4%

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



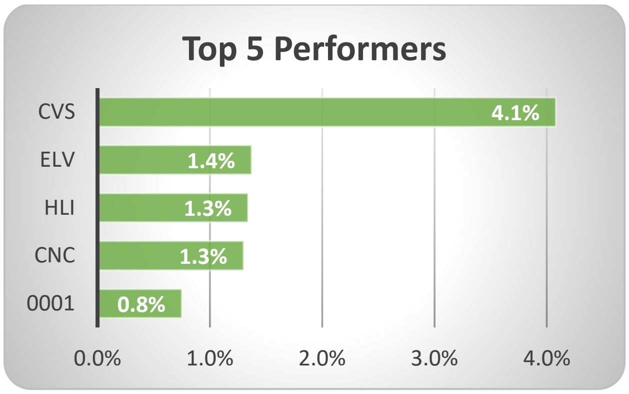
The S&P 500 Total Return index rose 15.2% in the second quarter of 2026, while our portfolio gained 6.5% over the same period. For the first half of 2026, the index returned 10.2% and our portfolio returned 6.4%.

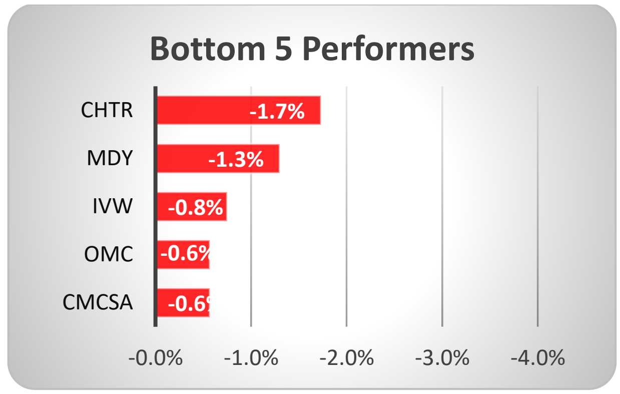
After a challenging first quarter, the market rebounded strongly in the second quarter. The S&P 500 Total Return index recovered its first-quarter losses and advanced 15.2% during the period, led by growth and technology stocks that had been sold off earlier in the year. The rebound was broad-based, with value-oriented sectors also participating in the rally.

[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.

Our defensive positioning was a headwind during the rebound. Short positions in growth and mid-cap ETFs, which contributed positively during the first-quarter selloff, detracted from performance as growth stocks rallied. Meanwhile, our value-oriented holdings delivered strong gains, led by CVS Health, Elevance Health, Helia Group, Centene, and CK Hutchison. Our portfolio gained 6.5% in the quarter, underperforming the index during the rebound but preserving the defensive outperformance achieved in the first quarter.

Below are our top and bottom five performers for the quarter. The top five performers generated a total profit of 8.8%, while the bottom five resulted in a total loss of 4.9%.





The top 5 performers are:

1. **CVS Health (CVS)** is one of the largest pharmacy services and health insurance companies in the U.S. The stock rallied during the quarter as investor sentiment toward the healthcare services segment improved and the company's turnaround continued to gain traction. As the largest contributor to our performance in the quarter, CVS benefited from its diversified healthcare platform spanning retail pharmacy, pharmacy benefits management, and insurance.
2. **Elevance Health (ELV)**, formerly Anthem, is one of the largest health insurers in the U.S. The stock advanced during the quarter as concerns about medical cost trends and regulatory uncertainty in the managed care sector eased. We believe the company's scale, diversified product portfolio, and strong market position provide a solid foundation for long-term value creation.
3. **Helia Group (HLI)**, previously known as Genworth Mortgage Insurance, is an Australian mortgage insurance company. The stock performed well during the quarter, supported by strong underwriting standards and a stable Australian housing market. Its attractive dividend yield continues to contribute meaningfully to total return.
4. **Centene Corp (CNC)** is a managed care organization focused on government-sponsored healthcare programs including Medicaid and Medicare. The stock gained during the quarter as policy uncertainty eased and concerns about Medicaid enrollment trends abated.
5. **CK Hutchison Holdings (0001.HK)** is a Hong Kong-based multinational conglomerate with businesses spanning ports, retail, infrastructure, and telecommunications. The stock contributed positively during the quarter, supported by its diversified cash flows and attractive dividend yield.

Bottom 5 performers are:

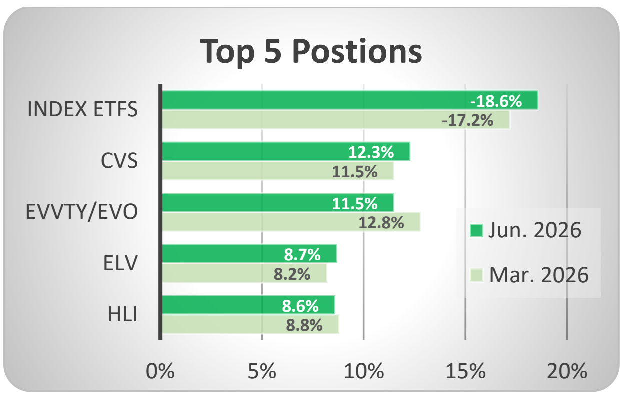
1. **Charter Communications (CHTR)** is one of the largest cable and broadband providers in the U.S. The stock declined during the quarter amid concerns about subscriber growth and competitive pressures in the broadband market. We continue to monitor the competitive dynamics while maintaining the position.
2. **The SPDR S&P MidCap 400 ETF (MDY)** is a short position maintained as a partial hedge against valuation risk in mid-cap equities. As the market rebounded during the quarter, the short position

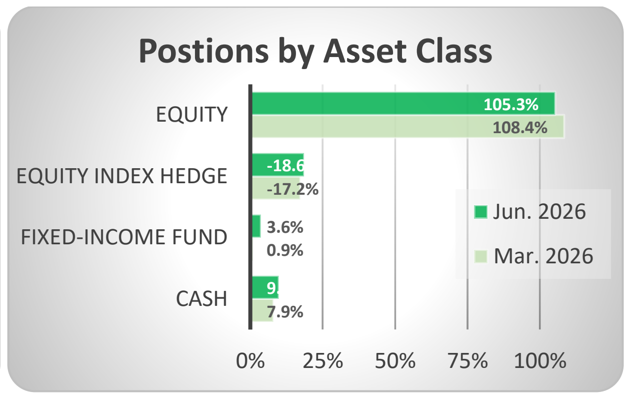
detracted from performance. We continue to hold this short position as a hedge against further market volatility.

3. **The iShares S&P 500 Growth ETF (IVW)** is a short position maintained as a partial hedge against valuation risk in growth-oriented segments of the market. Following the strong rebound in growth stocks during the quarter, the short position was a drag on performance. We continue to hold this short position as a hedge against further valuation compression in growth-oriented equities.
4. **Omnicom Group (OMC)** is one of the world's largest advertising and marketing services companies. The stock declined during the quarter amid concerns about advertising spending and the broader media environment. The company's scale and diversified service offering remain competitive advantages.
5. **Comcast (CMCSA)** is a global media and technology company with leading positions in cable, broadband, and entertainment. The stock declined during the quarter amid concerns about the media and broadband environment. We continue to hold the position given its attractive valuation and strong cash generation.

Major positions

Our top 5 positions and asset classes at the end of Q2 2026 were as follows:





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

In Q2, 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 19% of portfolio assets. Our long equity exposure remains concentrated in value-oriented names where we see attractive risk-reward profiles. During the quarter, we modestly increased cash and fixed-income exposure while trimming long equity positions, keeping the portfolio defensively positioned.

While the strong rebound in Q2 weighed on our hedged positioning, we remain focused on capital preservation and long-term value creation. Our portfolio's defensive characteristics and value orientation helped protect capital during the first-quarter decline and continue to provide a foundation of stable, cash-generative holdings. 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 Aug 20, 2026 in Orange, Ohio

Portfolio Manager and Founder,
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