



May 10, 2013

Dear Clients, Partners, and Friends,

The results for South Ocean Management's Delaware LP, Kong Partners L.P., before incentive fees, were as follows:

	<u>Apr 2013</u>	<u>Year-to-Date</u>
Hong Kong Partners LP (net)	7.4%	2.6%*
Hang Seng Index	2.2%	0.4%
MSCI HK Small Cap Index	-1.0%	8.3%

Partners' NAV for Apr -13 \$2.5748 after management fees and March 2013 provisions, but before annual incentive fees of 15% on appreciation. *after provisions March 31, 2013

We are pleased with the performance last month of our holdings of small/mid cap shares of companies with earnings benefiting from operations in China. Our portfolios have benefited from our improved, *Warren Buffett-style* investment system of screening for great businesses to own at very reasonable prices. We purchased a dozen new positions since the end of last year that have increased 19.6% on average this year. Importantly, we don't pay too much for the shares of these businesses as we demand a margin of safety which requires a 20 % minimum annual return to reach our intrinsic value assessments.

In the US, the S&P 500 index has risen above its 2007 previous high;



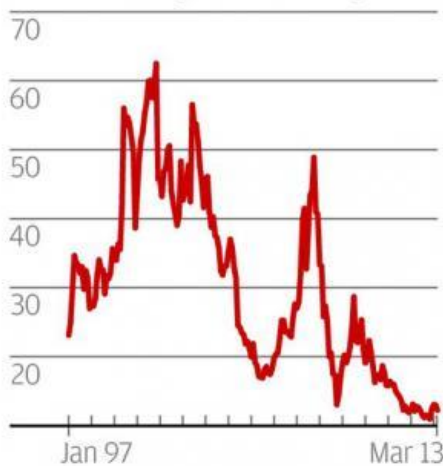
Yet, the Hang Seng Index still trades 30% below its 2007 high;



Though China's economy grows at 8% a year, its stock market has been depressed, consequently affecting Hong Kong's performance. But Shanghai shares are no longer expensive:

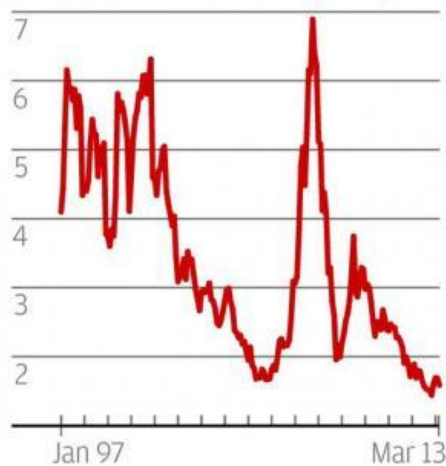
Looking cheap

Price to earnings ratio of Shanghai



Source: CEIC

Price to book value ratio of Shanghai



SCMP

As pointed out in our letter last month, a preponderance of stocks in Hong Kong would need to rise 20% or more to return to their historic, average Price Earnings multiples on estimated earnings.

Our weighted average P/E on this year's estimated earnings is 8.6 times.

We believe we will have a lot of catching up to do going forward.

Sincerely,

Brook McConnell

President

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Hong Kong