March 9, 2017

Dear Clients, Partners, and Friends,

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

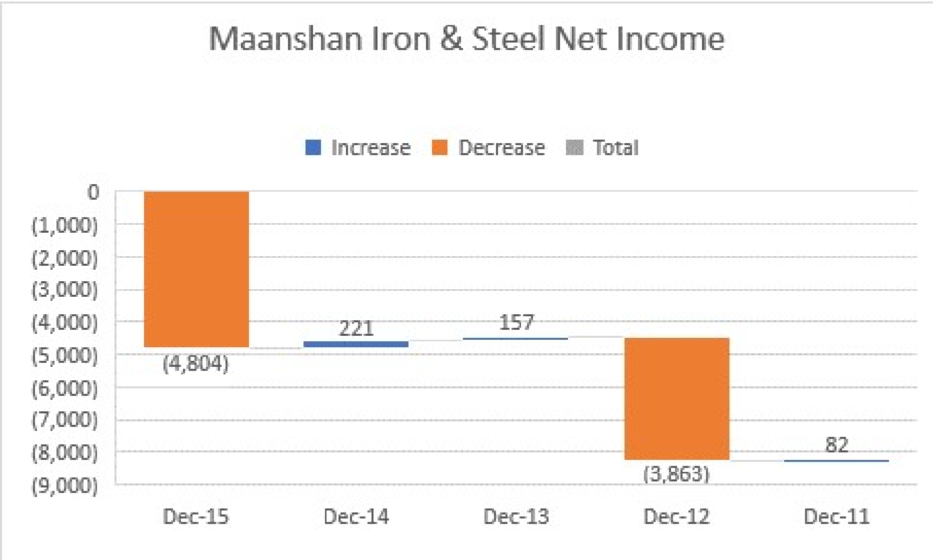
	Feb 2017	Year-to-date
Hong Kong Partners LP	2.0%	3.8%
Hang Seng Index	1.6%	7.9%
Hang Seng Small Cap Index	3.5%	5.7%
MSCI HK Small Cap Index	3.0%	5.4%

Partners' NAV $3.0994 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

In February, South Ocean's portfolios of small/mid cap, Hong Kong-listed, China-geared companies gained in a generally no-news month (companies that are reporting fiscal year-end earnings are required to be in a quiet, 'blackout' period two months prior to reporting, with no director dealings in company shares). Most listed companies, with December fiscal year-ends, report results in March.

Cyclical stocks, such as natural resource, mining and basic materials, were in favor during the February commodity rally. The sector gained with industrial metals increasing 10.3% year-to-date through February.

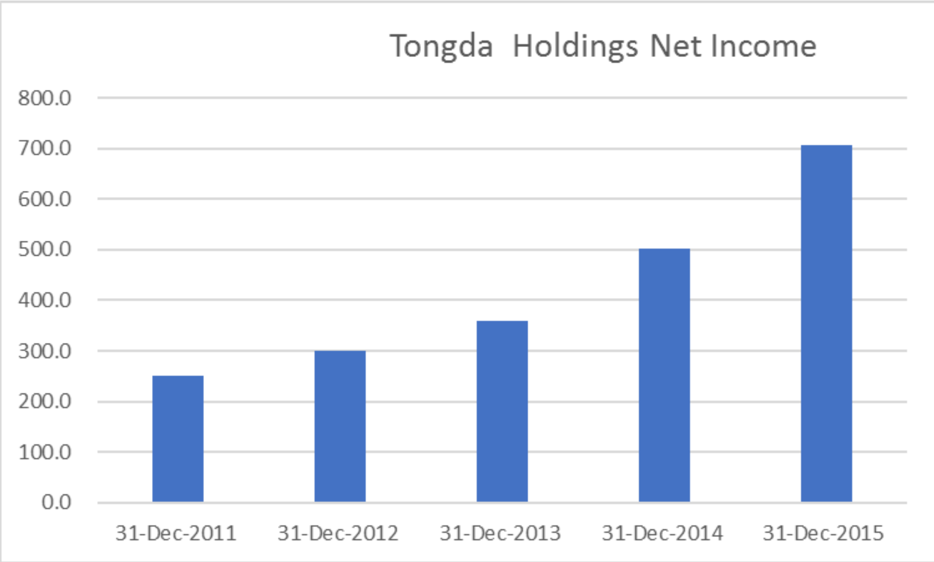
Our investment style seeks to own companies with profitable operations. For instance, cyclical industries have posted erratic results since crashing in 2011. Take, for example, steel company Maanshan Iron and Steel…



The share prices of most cyclical stocks, like Maanshan, have traded sideways since the China commodity bust;

This year, the sector has witnessed speculative buying on reflating commodity prices. Due to the unpredictable and cyclical nature of these sectors' profitability, we have preferred not to participate, as the timing of these sudden price moves is difficult to foresee.

Conversely, steadily growing companies, such as our holding in leading PC/smartphone casing manufacturer, Tongda…



… have markedly out-performed over the past five years:

Rather than jumping from one investment flavor of the month to another, chasing the latest performance group, we believe sticking with profitable, quality small/mid cap companies delivers superior returns, with less risks, over time.

In fact, a recent white paper by S&P Dow Jones Indices entitled, Quality: A Driving Factor of Small-Cap Returns, further substantiates our strategy. The study found the returns of profitable small cap stocks were greater and concluded; …small-cap companies with profitability characteristics were able to generate higher excess returns over the benchmark (the small-cap universe in this case the S&P SmallCap 600, which has outperformed the Russell 2000 since inception and with lower volatility) on a consistent basis. It is also worth noting that these companies had lower beta to the market as well…

This study, along with the previous study mentioned in these letters last year (*Size Matters, If You Control Your Junk* by Clifford S. Asness, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2553889) attest to the validity of our investment process; owning quality small/mid cap stocks at reasonable prices.

To all our Limited Partners in Hong Kong Partners LP, year-end K1s have been finalized and are being mailed by our administrator, Apex Fund Services.

Sincerely,

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