



November 15, 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:

	<u>Oct 2017</u>	<u>Year-to-date</u>
Hong Kong Partners LP	2.6%	8.7%
Hang Seng Index	2.8%	28.8%
Hang Seng Small Cap Index	2.6%	15.9%
MSCI HK Small Cap Index	1.3%	11.2%

Partners' NAV \$3.2462 after management fee and provisions, but before annual incentive fees of 15% on appreciation. Our portfolios of quality, small/mid cap holdings of Hong Kong-listed companies gained in October. South Ocean's equity portfolios are geared towards income-producing businesses in China, such as alternative energy (leading wind power producer Huaneng Renewables), smartphone component supplying (leading smartphone casing manufacturer, Tongda Holdings) and consumer products (Man Wah Holdings, leading reclining sofa manufacturer); all companies with proven track records and sound/favorable outlooks.

Select segments of the market, including a few technology names, have been 'in-favor' sectors in Hong Kong year-to-date. Sectors such as property/real estate (where property revaluations have been the main earnings drivers), or cyclical industries, such as commodity/metals, are areas we claim no prophetic powers of insight to determine any near or intermediate term earnings potential.

In mid-October, Bloomberg released a report on 22 Hong Kong-listed Chinese property developers that had surged 96% in one year, with two names (Sunac China and China Evergrande Group) jumping over 400% (China property prices have continued to surge even while authorities keep trying to damp down the speculation). As we own no positions in the property/finance-related sectors in our portfolios, our returns have lagged the year-to-date performance of the main indexes.

That said, we believe we own positions in undervalued, out of favor sectors in Hong Kong today which have encouraging prospects.

Sincerely,

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Hong Kong