



February 10, 2020

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>Jan 2020</u> |
|---------------------------|-----------------|
| Hong Kong Partners LP | -6.8 % |
| Hang Seng Index | -6.7% |
| Hang Seng Small Cap Index | -6.4% |
| MSCI HK Small Cap Index | -7.2% |
| HS Mid Cap Index | -8.7% |

Partners' NAV \$2.42132 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

What began as a sunny January start to the year for Hong Kong stocks was upturned in the latter part by the contagious Corona virus lightning bolt. Gains in our South Ocean's portfolios of Hong Kong-listed small/mid cap stocks were reversed with the sudden outbreak which originated in the Chinese city of Wuhan in Hubei Province.

As of this writing, the disease count was 28,000 confirmed cases (and still rising), mostly in China, with 600 deaths. These numbers surpass the number of SARs virus cases in 2003, but is less virulent with a 2% death rate for the Corona virus versus 10% for the SARs virus. Hong Kong has cancelled flights to mainland China and closed its borders to incoming China visitors as the World Health Organization has declared a global health emergency.

The situation remains disruptive and volatile. China is shut down, guaranteeing 50 million of its citizens (to equate, California, the most populated US state, has 40 million people). All restaurants along with lots of Apple iPhone stores and Starbucks on the mainland are closed. Factories have suspended operations as precautions are set in full force everywhere.

My wife, family and I were holidaying over Chinese New Years in late January in Thailand, en-route to Hong Kong from the US. Our plans were to head to Hong Kong after CNY but we have postponed returning until the situation stabilizes. Three quarters of the listed companies of the Hong Kong Stock Exchange are due to report by March 31 fiscal year-end December results. Those reports may be delayed or qualified as audit companies are unable to send teams into China to review.

For the time being, we are watching events unfold from afar. We are hopeful for a speedy passing and containment of the unfortunate contagion.

Sincerely,

Brook McConnell
President

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