



July 22, 2020

Dear Clients, Partners, and Friends,

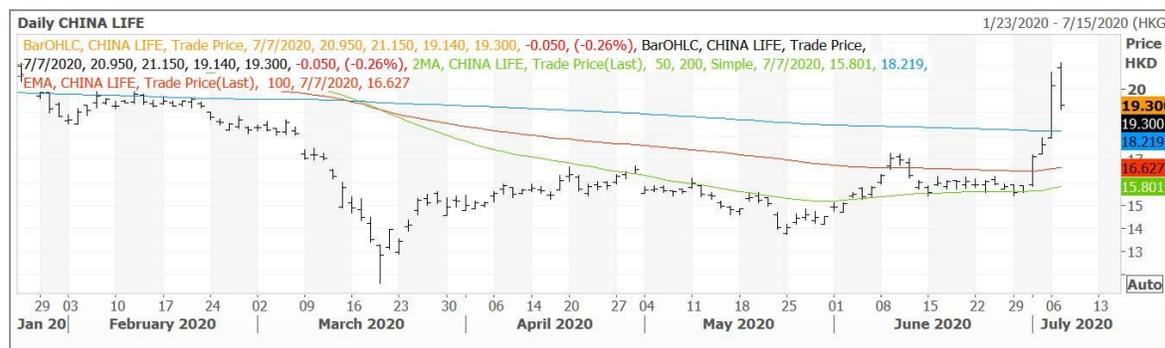
The results for South Ocean Management’s Delaware LP, Hong Kong Partners’ L.P., before incentive fees, were as follows:

	<u>Jun. 2020</u>	<u>Year-to-date</u>
Hong Kong Partners LP	8.2%	-19.5%
Hang Seng Index	6.0%	-13.3%
Hang Seng Small Cap Index	7.5 %	-1.2%
MSCI HK Small Cap Index	9.2 %	-11.5%
HS Mid Cap Index	6.1%	-7.5%

Partners’ NAV \$2.0839 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

Holdings in IT/Internet-related names were top performers last month in South Ocean’s portfolios of Hong Kong-listed leading companies with earnings geared toward China. This sector, roughly 28% of total portfolio value, were mostly purchased at distressed prices several years ago.

A non-tech, big mover in our portfolio was China Life (code 2628hk), a large cap that came into our screen earlier this year (see Mar 2020 commentary [here](#)). Normally, we uncover value in smaller companies unless a larger cap is under distressed selling. We began purchasing the position around \$15.20 a share in March and the shares leapt above HK\$20/share in the early trading days of July. We believe this leading insurer is still cheap and we continue to hold the position.



In one other, non-tech name (our largest investment, Hong Kong’s only Stock Exchange, HKEX, code 388hk, market cap HK\$450 billion, US\$58 billion),

we trimmed the holding by one half due to its large price spike (+22% in June) and now have a 5% position.

As mentioned last month, there are many fundamentals set in place for the recent, nascent rally in Greater China shares to continue. The benchmark Shanghai Stock Exchange, for example, has risen more than 9 per cent in July but is far below highs:



This chart is an indication of how the second largest economy stock market has lagged the US for over a decade.

We continually analyze companies that meet our stringent investment requirements: leading companies deriving earnings from operations in China that are intrinsically cheap on our proprietary Banquet System screening program. Thank you for your involvement alongside our own participation in South Ocean Management's investment program.

Sincerely,

Brook McConnell
President

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Brief video last month, commenting on the Hong Kong Hang Seng Index, concerning an antiquated technical indicator, the Point & Figure chart. B.

<https://youtu.be/5h24X0hDoqE>

