November 11, 2013

Dear Clients, Partners, and Friends,

The results for South Ocean Managementôs Delaware LP, Kong Partnersô L.P., before incentive fees, were as follows:

	Oct 2013	Year-to-Date
Hong Kong Partners LP *	2.2%	8.6%*
Hang Seng Index **	1.5%	2.4%
Hang Seng Small Cap Index	3.1%	8.8%

Partnersô NAV $2.7253 after management fees and March 2013 provisions, but before annual incentive fees of 15% on appreciation. *after provisions March 31, 2013

Our portfolios of Hong Kong-listed small/mid cap holdings rose slightly in the month of October.

During the month, we visited a dozen companies in the Hong Kong area (we like to get first-hand information and knowledge through this effort). As one of the great investors, Peter Lynch, used to point out, ñInvestigate ten companies and you're likely to find one with bright prospects that aren't reflected in the price. Investigate 50 and you're likely to find 5ò).

With Chinaôs improving index of manufacturing activity (HSBC/Markit PMI for manufacturing was 50.1 in August, the first time in four months that this gauge registered above the key threshold of 50), all eyes seemed focused on this monthôs important meeting, The Third Plenary Session of the 18th Communist Party of China Central Committee, which promises to announce major reforms for Chinaôs economy.

Comments by Chinaôs sovereign wealth fundôs Chairman explained further;

> CNBC.com | Thursday, 26 Sep 2013 | 1:10 AM ET
> While parallels have been drawn between China's inflated housing market and the U.S. housing bubble that triggered the 2007-2008 global financial crisis, the world's second-largest economy is unlikely to face similar subprime problems, according to former chairman of the board of supervisors of China Investment Corp (CIC) – the country's sovereign wealth fund.
>
> "You can't generalize about a housing bubble in China. In tier-one cities there's strong demand, in second and third-tier cities there may be some bubbles. But as long as we handle it carefully, it's not the same as the U.S.," Liqun Jin said... "The down payment for home

buyers is pretty high, you can't have mortgage financing without a steady income. In the U.S. you could have zero [interest mortgages]; you expected the appreciation of property to pay for the mortgage. The [Chinese] banks will not have a problem in dealing with this," he added.   Jin... however, acknowledged there were some risks present in the country's financial sector stemming from the colossal stimulus package the government introduced to bolster the economy at the height of the global financial crisis.

In 2008, the government unveiled a 4 trillion yuan stimulus program that funded a wave of infrastructure projects across the country, some of which are not generating returns. This is reflected in China's "roads to nowhere," or bridges built under the premise of boosting infrastructure but which are barely used.

"This round of stimulus probably would have created [non-performing loans] on balance sheets. I think both the government and people in the financial sector should be aware of potential risks," he said.

Nevertheless, he doesn't expect a "tough situation" for the sector, noting that banks are in a healthy position and have become more prudent in managing their businesses.

"It's not the same thing you saw 10 years ago when banks would have made loans to state-owned enterprises regardless of their performance; things have changed. (Also the) capital adequacy of major banks is sufficient, and loan loss provisions are very high," he said.

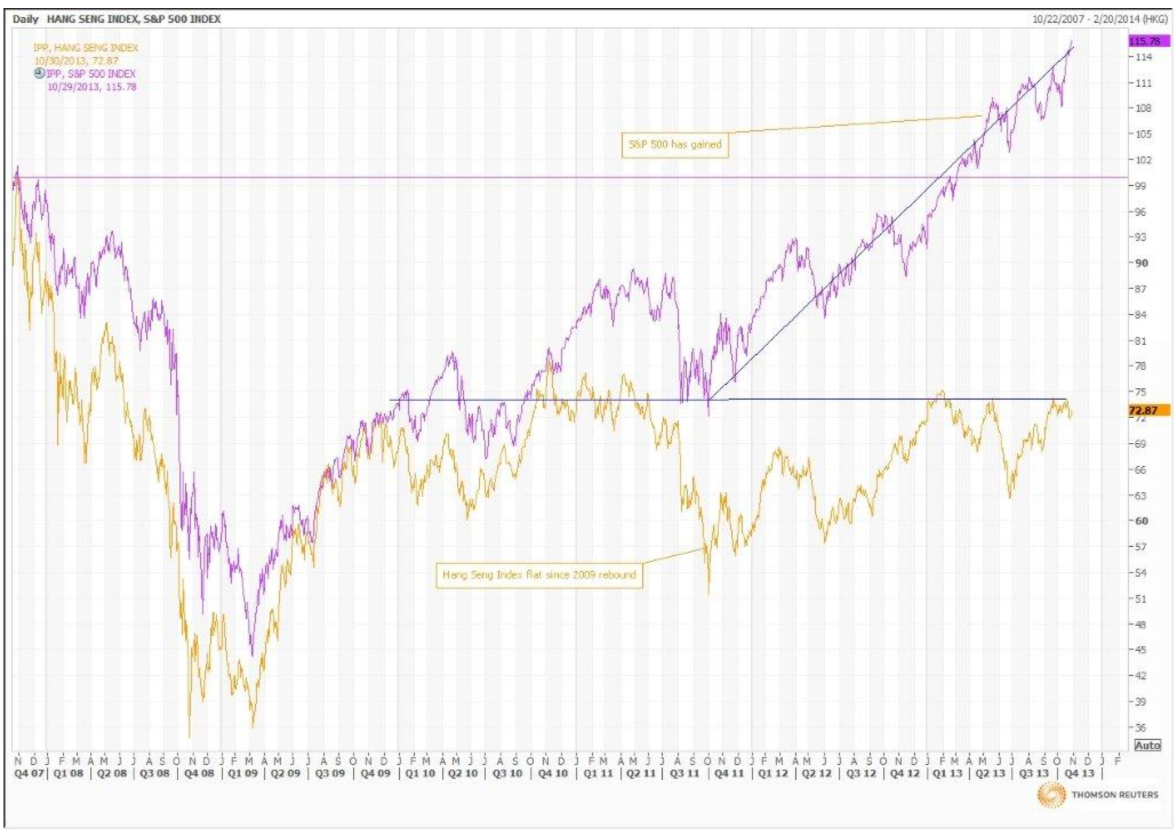
Growth momentum to sustain: Discussing his outlook for the economy, Jin said he expects Chinese authorities will be determined to keep gross domestic product growth above 7 percent over the next one to two decades, sustained by the government's reform momentum.

...The imminent establishment of a free trade zone covering 29 square kilometers of eastern Shanghai is regarded as an important step forward in China's economic liberalization. Successful initiatives will ultimately be rolled out nationwide, but likely after several years, say analysts.

> Further reform initiatives are expected be outlined at The Third Plenary Session of the 18th Communist Party of China Central Committee set to be held in November.
>
> "Looking at the statements by the leaders, I would say it would be focused on reforms in the financial sector (including) equity market, bond and banking sector reform," Jin said.

One program that may embolden reluctant investors is a bank recapitalization plan utilizing preference shares. Further progress on this front could be delineated soon after the week long Plenary Session. Fears of burgeoning loan losses at Chinaôs big banks have been a depressant to the local index (as pointed out in last monthôs letter).

Since the 2009 stock market rebound, the Hang Seng has been flat whereas the S&P500 has soared (S&P 500 in purple, Hang Seng Index in yellow, rebased to late 2007).



Improving economic data along with major reforms being instituted are extremely bullish indicators for the depressed China equity markets.

All our holdings have improving fundamentals and prospects. Our proprietary investment process generates a maximum price to pay for shares (so we donôt overpay) and we will take advantage (with our sidelined cash holdings of ~14% of total value) of any future price weakness.

Sincerely,

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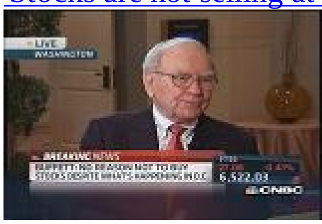
Brief comments on the markets by Warren Buffett recentlyé

Mid-October CNBC interview
Cash and long term bonds ὰerrible investments.ô
'Stocks are not selling at bubble levels': Buffett Wed, 16 Oct '13 | 8:40 AM ET



Warren Buffett, Berkshire Hathaway chairman & CEO, explains why stocks still offer the best investment opportunities compared to cash or long-term bonds.

http://video.cnbc.com/gallery/?play=1&video=3000208281

*Hong Kong Partners LP risk disclaimer:

- Hong Kong Partners LP (The "Fund") primarily invests in the Hong Kong equity market with a Greater China focus.
- The Fund invests in China-related companies which involve certain risks not typically associated with investment in more developed markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- The Fund is also subject to concentration risk due to its concentration in Hong Kong, particularly China-related companies. The value of the Fund can be extremely volatile and could go down substantially within a short period of time. It is possible that a substantial value of your investment could be lost.
- You should not make investment decision on the basis of this material alone. Please read the explanatory private placement memorandum for details and risk factors.

**Index Descriptions: The Hang Seng Indexes are a widely recognized capitalization-weighted indexes that measures the performance of the three largest-capitalization sectors of the Hong Kong stock market in descending order. The Hang Seng Index measures the largest 52 market capitalized listed companies in Hong Kong's stock market. The Hang Seng Mid Cap Index represents the next 193 largest capitalized listed companies, the Hang Seng Small Cap Index represents the next 187 largest capitalized listed companies in Hong Kong.

The MSCI HK Small Cap Index is a free float-adjusted market cap weighted index designed to measure the performance of small cap equity securities in the bottom 15% of equity market capitalization in Hong Kong. With 69 constituents, the index represents approximately 14% of the free float-adjusted market capitalization of the Hong Kong equity universe.

The Hong Kong Partners LP (HKP) is benchmark agnostic and its corresponding portfolio may have significant noncorrelation to any index. The portfolios may invest in all sectors (within and/or on other stock markets) and the composition of securities in the portfolio may change periodically depending on market conditions at the time. Securities in the portfolio will not match those in any index.

Index returns are generally provided as an overall market indicator. You cannot invest directly in an index. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's returns. Index performance information was furnished by sources deemed reliable and is believed to be accurate, however, no warranty or representation is made as to the accuracy thereof and the information is subject to correction.

Before investing you should carefully consider the Partnership's investment objectives, risks, charges and expenses. This and other information are in the prospectus, a copy for Accredited Investors may be obtained by inquiring to info@south-ocean.com. Please read the prospectus carefully before you invest.

The principal risks of investing in HKP: Equity Securities Risk. The value of the equity securities the Fund holds may fall due to general market and economic conditions. Foreign Securities Risk. Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities. Industrials Sector Risk. Companies in the industrials sector may be adversely affected by changes in government regulation, world events, economic conditions, environmental damages, product liability claims and exchange rates. Consumer Discretionary Risk. Companies in this sector may be adversely impacted by changes in domestic/international economies, exchange/interest rates, social trends and consumer preferences. Information Technology Sector Risk. Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Detailed information regarding the specific risks of Hong Kong Partners LP can be found in the prospectus. Additional risks of investing in HKP include equity, market, management and non-diversification risks, as well as fluctuations in market value and NAV. An investment in a private limited partnership is subject to risks and you can lose money on your investment in the limited partnership.

There can be no assurance that HKP will achieve its investment objective. The LP's portfolio is more volatile than broad market averages. Shares of HKP cannot be bought or sold publicly, there is no active market in the Units and there are restrictions imposed on Limited Partnership unit transfers. Partnership redemptions are handled by Authorized Administrators of the Partnership.