August 11, 2014

Dear Clients, Partners, and Friends,

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

	Jul 2014	Year
Hong Kong Partners LP *	3.5 %	9.7%
Hang Seng Index **	6.8%	6.2%
Hang Seng Small Cap Index	3.4%	-3.8%

Partnersô NAV $3.1275 after management fee, but before annual incentive fees of 15% on appreciation.

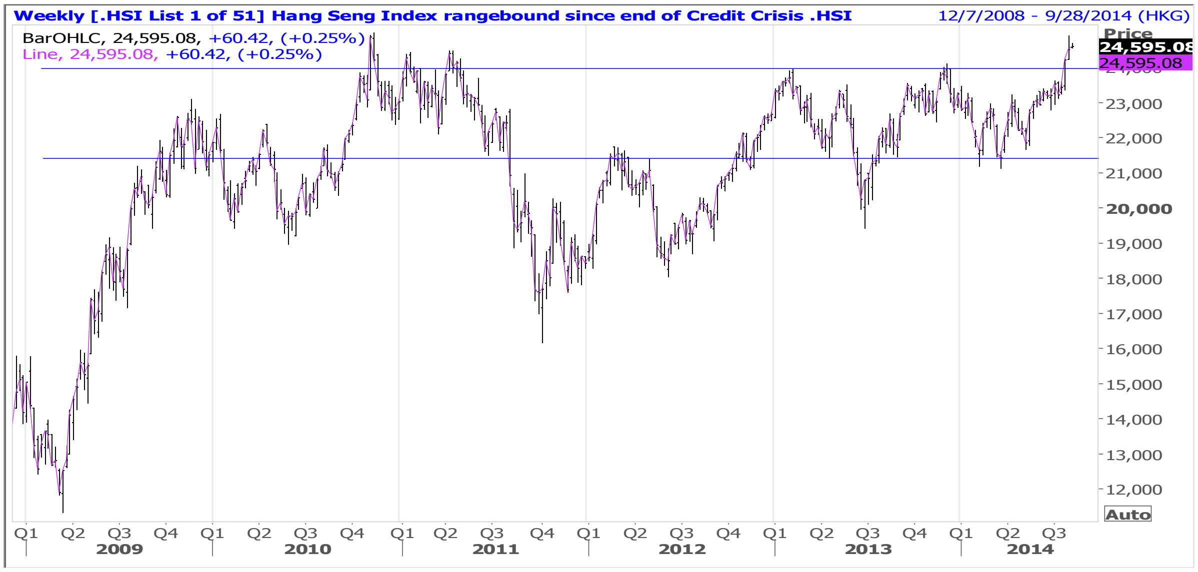
Our small/mid cap holdings of Hong Kong-listed companies with expanding businesses in China, rose in July. Chinese A-shares, traded on the Mainland markets, had the best month in almost two years, as did the Hong Kong-listed China H-share Index.

Part of the reason for the strong moves relates to what we noted last month (regarding the relatively tight credit conditions in China). Interest rate-sensitive Hong Kong-listed Chinese property developers rallied after looser restrictions on property purchases by China local governments emerged.

We do not own positions in H-shares, which are primarily stocks in the real estate, banking/financial and cyclical resource sectors (we claim no gainful insights as to any advanced notice of timing of government edicts or cyclical industry turns). Our principal focus is fundamentally analyzing and owning great businesses of Hong Kong-listed companies at undervalued prices. Our proprietary software screens all stocks in Hong Kong to determine intrinsic values and sets maximum price limits to buy.

During July, the blue chip Hang Seng Index, which has been range-bound since the end of the Credit Crisis decline in early 2009, rose above its previous highs for the year on light, summertime volumes.

It is noteworthy that the Index traded through its 5 year trading band during the month!



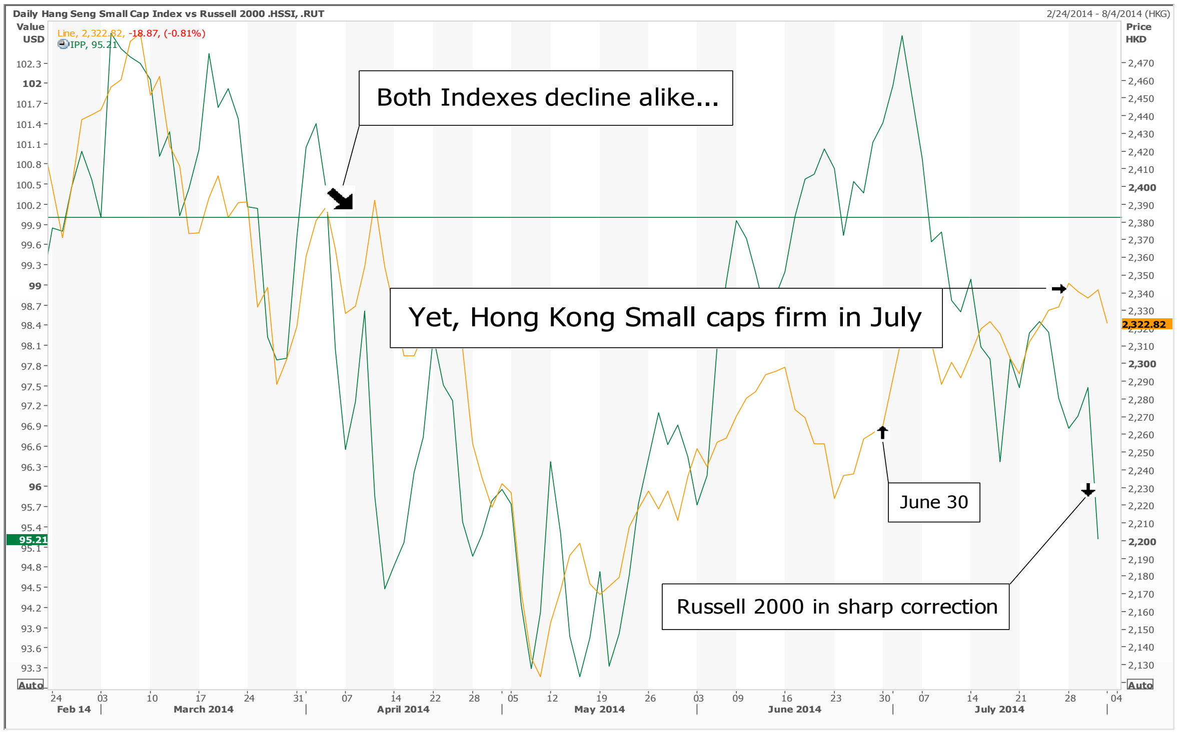
There were net inflows of foreign funds all month. The Hong Kong Monetary Authority intervened to keep the Hong Kong dollar at its pegged rate of 7.25/1 to the US dollar. According to the South China Morning Post, ñSince July 1, the Hong Kong dollar has repeatedly hit the strong end of the currency peg to the US dollar. That caused the HKMA inject more than HK$65 billion (US$ 8.4 billion) into local money markets.ò

Also noteworthy is the action in Hong Kong small caps.

In early March to early May this year, the Hang Seng Hong Kong Small Cap Index and the US small cap Russell 2000 Index declined in tandem. Investors in Hong Kong seemed to key in on western market trends last spring.

Last month, that correlation diverged, with Hong Kong small caps advancing in contrast to a sharp correction in US small caps.

The Russell 2000 declined 6.1% in July versus a +3.4% gain for Hong Kong small caps:



Our strongest gainers last month were two holdings benefitting from the cellular 4G build out in China.

Tongda Holdings (code 698hk, HK$6.3 billion market cap, US$813 million) is increasing the number of 4G-equipped smartphones built for local brands, such as Huawei, ZTE and Lenovo.

China Fiber (code 3777hk, HK$2.9 billion market cap, US$503 million) is the largest fiber optic patch cords manufacturer in China. This leading position is further enhanced by the high barriers to entry to becoming an approved supplier to Chinaôs telecom operators. China Fiber will benefit from the 1.4 million 4G transceiver base stations being constructed over the next several years in China.

Both Tongda (11.6 x estimated earnings) and China Fiber (6.5x estimated earnings) are cash-rich, having completed fund raising exercises to meet the expected demand for the next generation cellular systems.

After the past five years of uncertainty, the Hang Seng Index sells today at a low 10.6x trailing earnings. As weôve been outlining all year in these letters, there remains upside risk to the underweighted Hong Kong market.

Though pullbacks and corrections will undoubtedly occur for China-oriented stocks and markets in the months ahead, a positive is the recently announced Communist Partyôs Fourth Plenary Session for the 18th Central Committee meeting in October that will mark an important milestone ï there will be many more reforms announced at the meeting, signifying further development of Chinaôs óopening up.ô

Sincerely,

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*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.