



April 19, 2017

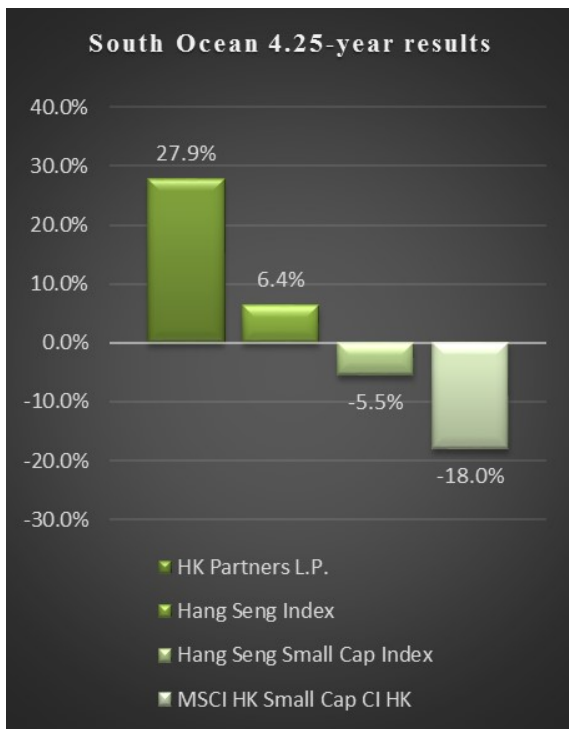
Dear Clients, Partners, and Friends,

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

	<u>Mar 2017</u>	<u>Year-to-date</u>
Hong Kong Partners LP *	3.5%	7.4%
Hang Seng Index**	1.6%	9.6%
Hang Seng Small Cap Index	1.4%	7.2%
MSCI HK Small Cap Index	-0.8%	4.5%

Partners’ NAV \$3.2070 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

South Ocean Management’s portfolios of Hong Kong small/mid cap stocks gained 7.4% in the first quarter this year. Our Hong Kong Partners LP has out-performed since we inaugurated our proprietary intrinsic value system 4 years and one quarter ago, investing long term in fundamentally strong, China geared companies:



Our heaviest investment weighting today is in out-of-favor, ‘environmentally-oriented’ stocks, a vital sector that China is deeply committed to improving (a report released in

January by the Institute for Energy Economics and Financial Analysis, based in Ohio, said China was the world leader in domestic investment in renewable energy and associated low-emissions-energy sectors).

For the quarter, our returns were powered by our positions in leading water treatment Beijing Ent Water Group (code 371hk, market cap HK\$55.1bn, US\$7.1bn), smartphone casing manufacturer (such as Apple) Tondga Holdings (code 698hk, market cap HK\$16.0bn, US\$2.1bn), China's leading foreign TV (Phillips) brand, TPV Technology (code 903hk, market cap HK\$4.7bn, US\$606mn) and the PRC's top selling recliner chair/sofa manufacturer, Man Wah Holdings (code 1999hk, market cap HK\$25.2bn, US\$3.3bn). These stocks gained in value 20% to 50%.

Detracting from total returns were two holdings: China's leading wind turbine manufacturer Xinjiang Goldwind Science & Technology Co. (code 2208hk, market cap HK\$45.1bn, US\$5.8bn) and leading smart meter manufacturer Wasion Group (code 3393hk, market cap HK\$4.1bn, US\$526mn). Both reported lower than expected earnings results late in the quarter. We would add to these 'environmental' positions on any further share price weakness (Goldwin sells at 7.9x 2017 expected consensus earnings and Wasion at 10.5x).

Though we scrutinize the geopolitical tensions, trade issues and global macro topics of the day, our focus is long term. We invest in investor-neglected securities, with an inherent margin of safety, that helps protect our holdings from large losses in declining markets. These securities generally rise less than the public's favorites, yet tend to do better in declining market environments.

For our Chinese reading friends, attached is a March interview in the prestigious Hong Kong Economic Digest outlining further thoughts about our holdings and strategy.

Sincerely,

Brook McConnell  
President

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Hong Kong

**\*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](mailto: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.