



December 13, 2018

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:

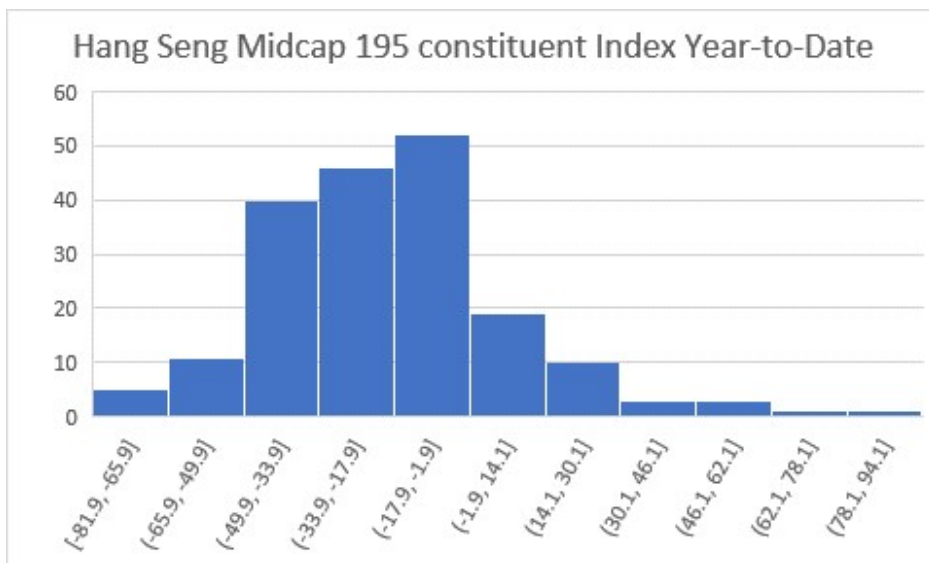
	<u>Nov 2018</u>	<u>Year-to-date</u>
Hong Kong Partners LP*	2.1 %	-21.1%
Hang Seng Index **	6.1%	-11.4%
Hang Seng Small Cap Index	5.4%	-13.3%
MSCI HK Small Cap Index	5.4%	-25.6 %
HS Mid Cap Index	6.6%	-20.2%

Partners' NAV \$2.549 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

In November, Hong Kong's stock market consolidated after the October global downturn. Early December trading, though, has given rise to increased volatility after the much-anticipated Trump/Xi meeting in Argentina. Initial relief of a temporary truce in the US/China trade war gave way to concerns on slowing US economic growth, slumping fixed income treasury yields and conflicting 'tweets' on trade talk progress. Trading fears were heightened with the [arrest of China's Huawei CFO](#) in Canada.

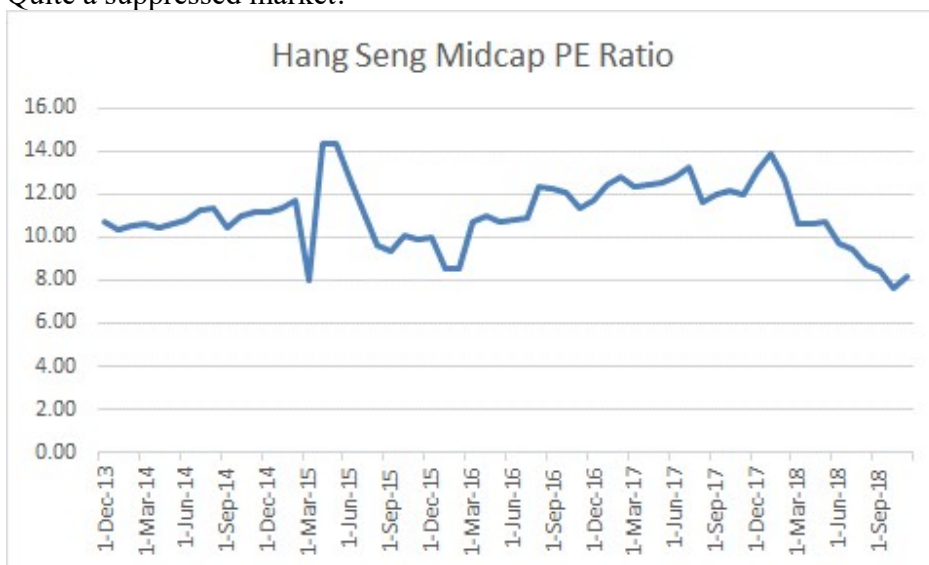
Our holdings of small/mid capitalized Hong Kong-listed stocks of fundamentally strong companies, with operations in mainland China, have similar characteristics to those found in the Hang Seng Midcap Index. The HS Midcap Index, consisting of 195 names, have US\$ market caps ranging from \$1 billion up to \$35 billion (total market cap of US\$1.1 trillion). Our portfolio median market cap is US\$ 2.5 billion and we own 5 stocks listed in the Index.

The following chart denotes price performance this year:



A little more than 50 stocks (roughly 25% of the Index) have witnessed declines of between 2 – 18% year-to-date. About 45 stocks have declined 18% to 34%, another 40 have seen 34% to 50% declines. Therefore, a total of ~135 names out of 195, or ~70% of all stocks in the Index, have declined in price this year.

Quite a suppressed market!



A great number of the declines this year were in the high tech/software (IT), Auto-related and Real Estate Development sectors (which were predominately 2017's winners). Reuters' estimated 2018 Price Earnings ratio for the Midcap Index is 9.7x.

The Auto-related and Information Technology sectors are becoming attractive in our intrinsic value screens now. We have 24% cash (as a percentage of total portfolio value) and our weighted average price-earnings ratio on 2018's estimated earnings is 5.7 times.



We send wishes to all for a happy, joyous holiday season.

Sincerely,

Brook McConnell
President

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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.