April 15, 2019

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:

	Mar 2019	Year-to-date
Hong Kong Partners LP *	0.8 %	6.8%
Hang Seng Index **	1.5%	12.4%
Hang Seng Small Cap Index	-0.3%	12.1%
MSCI HK Small Cap Index	0.2%	11.2 %
HS Mid Cap Index	1.6%	16.6%

Partners' NAV $2.6085 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

Our Hong Kong holdings of small/mid cap stocks benefiting from operations in China rebounded strongly in this year's first quarter after last year's rough fourth quarter declines. The property sector of the Hang Seng Index was the primary driver for the blue-chip index, returning 21% for the three months ending March. Because Hong Kong's currency is pegged to the US$, interest rates in the SAR need to match the low rates in the US. Expectations of mortgage interest costs remaining low propelled real estate stocks in the first quarter.

Hong Kong's notoriously expensive real estate is also floated higher by mainland Chinese inflows seeking asylum and tax sheltering in the favorable tax system of Hong Kong (Hong Kong residents enjoy zero tax on capital gains, dividend and interest income and a maximum 16.5% flat tax on wages). We do not own property/finance-related stocks in our portfolios.

What we do own are fundamentally strong companies operating in diverse sectors in China. Our top five holdings, representing 33.1% of total portfolio value, are all long-term holdings except for the Kingsoft position which we initiated in 2018 (see our reasoning outlined in our December client letter here). They performed as follows for the quarter ending March:

	March	Year-to-date
1. Beijing Enterprise Water (0371.hk)	3.2%	21.6%
2. SIS Int'l (0529.hk)	-1.2%	-2.2%
3. FSE Services (0331.hk)	1.7%	8.0%
4. Tongda Group (0698.hk)	0.0%	11.5%
5. Kingsoft (3888.hk)	30.8%	77.0%

Median return of the 5 holdings YTD: +11.5% **Yahoo Finance links**

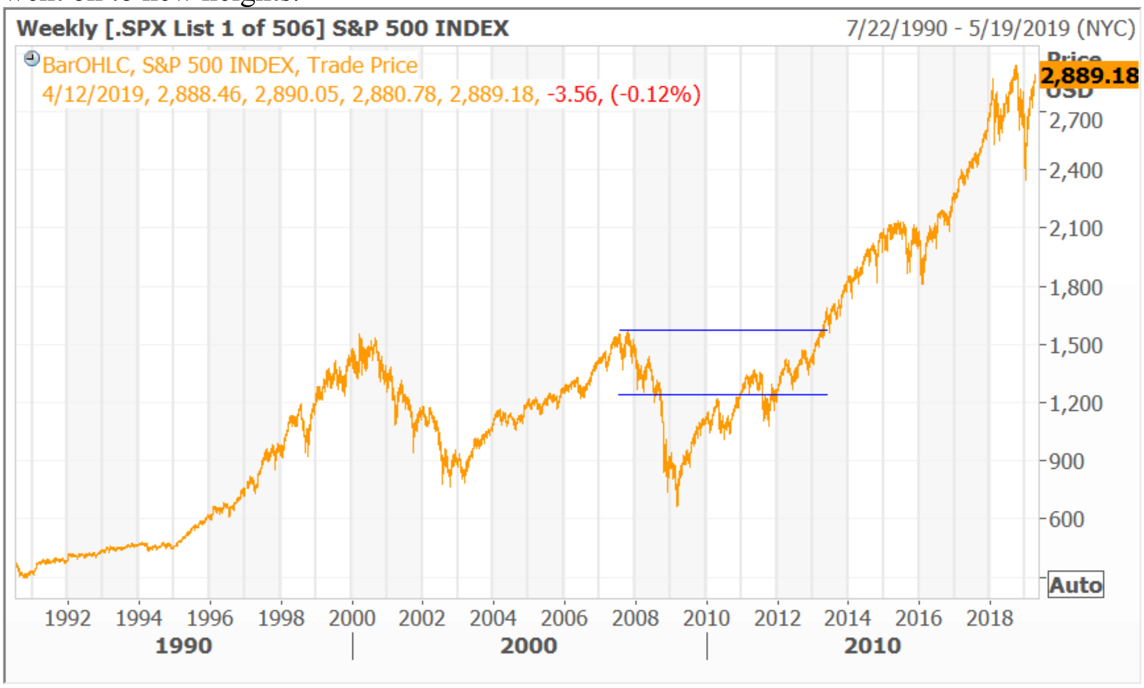
Though we are pleased with the rebound in the first quarter (and outperformance of many of our holdings), we have also been careful with our investing. We kept a higher amount of sidelined cash than normal, which dulled our performance and slightly held back overall results for the quarter. We view this cash position, though, as an important option to invest for bargains during volatile market conditions (we saw an opportunity, for example, in a Hong Kong ETF-like security, code 2800.hk, at the end of last year and realized the short-term opportunity during the January strong market rebound).

We continually screen for cheap stocks to own that meet our strict, intrinsic value buying discipline. We did find several new buys in the later part of last year's stock market decline, but have refrained from chasing stocks in the sudden run up this year. The extent of this year's rise was surprising given China's economic slowdown concerns and trade/tariff worries with the US. The basis for the rise, though, has been more of a revaluation of prices than an earnings upsurge.

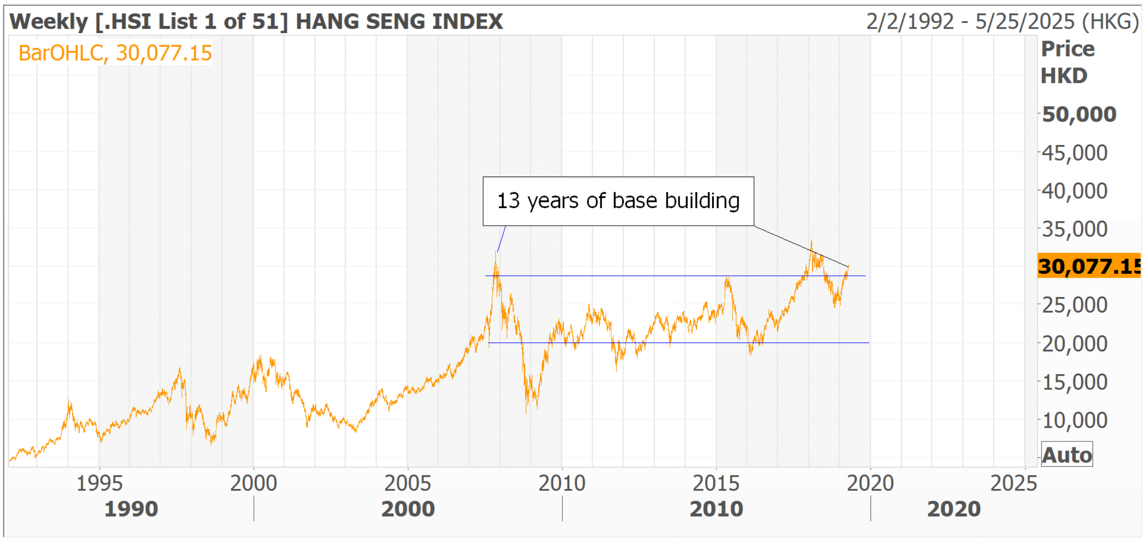
As to progress on the US China trade deal, Trump and China's Vice-Premier Liu He met April 4th in the Oval Office. President Trump announced expectations of a deal within 4 weeks, but a China newspaper was less optimistic, as reported in the South China Morning Post:

> "The fruit is not yet ripe, and if either side makes a hasty move to pick it, that side may have to pay an extra price or it may have to force the other side to pay an extra price," said the editorial which was published on Monday. "It will incur serious problems down the road and weaken the deal's ripeness and fairness." https://www.scmp.com/economy/china-economy/article/3005368/donald-trumps-four-week-time-frame-end-us-china-trade-war

On a broader, macro perspective, Hong Kong has not kept up with US markets. In late 2007, the US markets declined and then recovered by 2013. The S&P 500 Index thereafter went on to new heights:



Hong Kong has been in a massive base building phase over this period:



Its general knowledge that the longer the base building, the more powerful the recoil to the upside. The challenges China has dealt with in reorganizing its domestic economy and foreign trade concerns have been well documented. Low relative and absolute valuation measures on Hong Kong/China stocks present attractive opportunities, especially should there be any positive change to the tone holding investors back today.

That might just be the breakout catalyst to our long standing, unloved market.

Lastly, a not uncommon reaction from a foreign visitor to mainland China in this two minute video here.

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.