



November 12, 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:

	<u>Oct. 2019</u>	<u>Year-to-date</u>
Hong Kong Partners LP *	3.3%	0.9%
Hang Seng Index **	3.1%	4.1%
Hang Seng Small Cap Index	2.5%	-1.7%
MSCI HK Small Cap Index	2.9%	-4.3%
HS Mid Cap Index	5.0%	6.2%

Partners' NAV \$2.4632 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

Yeah, if I were working with small sums, I certainly would be much more inclined to look among what you might call classic Graham stocks, very low PEs and maybe below working capital and all that. Although -- and incidentally I would do far better percentage wise if I were working with small sums -- there are just way more opportunities. If you're working with a small sum you have thousands and thousands of potential opportunities and when we work with large sums, we just -- we have relatively few possibilities in the investment world which can make a real difference in our net worth. So, you have a huge advantage over me if you're working with very little money.

Warren Buffett, at a Berkshire Hathaway annual meeting held earlier this past decade, on how he would invest if he wasn't handicapped with a large portfolio. 2-minute video of his expanded comments [here](#).

South Ocean Management's portfolios of Hong Kong-listed, small and mid-cap stocks, rose last month. Our fully invested, concentrated holdings of fundamentally strong companies all benefit from strategic businesses based in mainland China.

The city-state of Hong Kong still suffers from violent rioting which began in June. Tourist arrivals fell 34.2 per cent in September and the number of visitors from mainland China declined 35 per cent compared with a year ago. The economy entered recession in the third quarter, down 2.9%. The government announced stimulus measures and sweeteners of HK\$21 billion (US\$ 2.7 billion) to counter the economic woes.

Notwithstanding the bloodshed in the streets, Hong Kong's Hang Seng Index has been resilient. That is because there's no more sellers left in the downtrodden market. With all sellers out, conditions are conducive to sudden, upward share

price moves when any positive news or events occur (such as with HN Renewables whereby it got so cheap recently, the parent company decided to take it private, at a 50% premium). This is especially prevalent in the less followed, smaller company shares where we focus our analysis.

With most participants sitting on the sidelines, the depressed, deeply undervalued Hong Kong market would catapult sharply upwards should sentiment (such as with the protests, China trade wars, or a slumping Chinese economy) begin to change. And, in Hong Kong, outlooks can turn in a New York minute.

Two interesting, insightful articles copied below. First one by WEIJIAN SHAN, who is Chair and CEO of Private Equity PAG firm in Hong Kong. He wrote an article for Foreign Affairs entitled, *Everyone Loses in the U.S.-Chinese Clash—but Especially Americans*.

Second article is about Susan Thornton, formerly America's most senior diplomat in East Asia. She accused Washington of being "irresponsible and misinformed."

Sincerely,

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President

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## The Unwinnable Trade War

### *Everyone Loses in the U.S.-Chinese Clash—but Especially Americans*

In late June, the leaders of China and the United States announced at the G-20 meeting in Osaka, Japan, that they had reached a détente in their trade war. U.S. President Donald Trump claimed that the two sides had set negotiations "back on track." He put on hold new tariffs on Chinese goods and lifted restrictions preventing U.S. companies from selling to Huawei, the blacklisted Chinese telecommunications giant. Markets rallied, and media reports hailed the move as a "cease-fire."

That supposed cease-fire was a false dawn, one of many that have marked the on-again, off-again diplomacy between Beijing and Washington. All wasn't quiet on the trade front; the guns never stopped blazing. In September, after a summer of heated rhetoric, the Trump administration increased tariffs on another \$125 billion worth of Chinese imports. China responded by issuing tariffs on an additional \$75 billion worth of U.S. goods. The United States might

institute further tariffs in December, bringing the total value of Chinese goods subject to punitive tariffs to over half a trillion dollars, covering almost all Chinese imports. China's retaliation is expected to cover 69 percent of its imports from the United States. If all the threatened hikes are put in place, the average tariff rate on U.S. imports of Chinese goods will be about 24 percent, up from about three percent two years ago, and that on Chinese imports of U.S. goods will be at nearly 26 percent, compared with China's average tariff rate of 6.7 percent for all other countries.

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The parties to this trade war may yet step back from the abyss. There have been over a dozen rounds of high-level negotiations without any real prospect of a settlement. Trump thinks that tariffs will convince China to cave in and change its allegedly unfair trade practices. China may be willing to budge on some issues, such as buying more U.S. goods, opening its market further to U.S. companies, and improving intellectual property protection, in exchange for the removal of all new tariffs, but not to the extent demanded by the Trump administration. Meanwhile, China hopes that its retaliatory actions will cause enough economic pain in the United States to make Washington reconsider its stance.

The numbers suggest that Washington is not winning this trade war. Although China's economic growth has slowed, the tariffs have hit U.S. consumers harder than their Chinese counterparts. With fears of a recession around the corner, Trump must reckon with the fact that his current approach is imperiling the U.S. economy, posing a threat to the international trading system, and failing to reduce the trade deficit that he loathes.

Trump may back away from his self-destructive policy toward China, but U.S.-Chinese competition will continue beyond his tenure as president. Much of the coverage of the conflict makes it seem like a clash of personalities, the capriciousness of Trump against the implacable will of Chinese President Xi Jinping and the Chinese Communist Party. But this friction is systemic. The current costs of the trade war reflect the structural realities that underpin the

relationship between the U.S. and Chinese economies. It's worth tracing that dynamic as the two great powers try to find a new, fitful equilibrium in the years ahead.

## **CONSIDER THE LOBSTERS**

The trade war has not produced the desired results for the United States. Washington first raised tariffs on Chinese imports in 2018. In the same year, Chinese exports to the United States increased by \$34 billion, or seven percent, year-over-year, while U.S. exports to China decreased by \$10 billion, or eight percent. In the first eight months of this year, China's exports to the United States dropped by just under four percent compared with the same period in the previous year, but U.S. exports to China shrank much more, by nearly 24 percent. Instead of narrowing the trade gap, the tariffs have coincided with a widening of the U.S. trade deficit with China: by nearly 12 percent in 2018 (to \$420 billion) and by about another eight percent in the first eight months of this year.

There are at least two reasons why Chinese exports to the United States have not fallen as much as the Trump administration hoped they would. One is that there are no good substitutes for many of the products the United States imports from China, such as iPhones and consumer drones, so U.S. buyers are forced to absorb the tariffs in the form of higher prices. The other reason is that despite recent headlines, much of the manufacturing of U.S.-bound goods isn't leaving China anytime soon, since many companies depend on supply chains that exist only there. (In 2012, Apple attempted to move manufacturing of its high-end Mac Pro computer from China to Texas, but the difficulty of sourcing the tiny screws that hold it together prevented the relocation.)

Some export-oriented manufacturing is leaving China, but not for the United States. According to a May survey conducted by the American Chamber of Commerce in Shanghai, fewer than six percent of U.S. businesses in China plan to return home. Sixty percent of U.S. companies said they would stay in China.

**Much of the manufacturing of U.S.-bound goods isn't leaving China anytime soon.**

The damage to the economy on the import side is even more pronounced for the United States than it is for China. Economists at the Federal Reserve Bank

of New York and elsewhere found that in 2018, the tariffs did not compel Chinese exporters to reduce their prices; instead, the full cost of the tariffs hit American consumers. As tariffs raise the prices of goods imported from China, U.S. consumers will opt to buy substitutes (when available) from other countries, which may be more expensive than the original Chinese imports but are cheaper than those same goods after the tariffs. The price difference between the pre-tariff Chinese imports and these third-country substitutes constitutes what economists call a “dead-weight loss” to the economy.

Economists reckon the dead-weight loss arising from the existing tariffs on \$200 billion in Chinese imports to be \$620 per household, or about \$80 billion, annually. This represents about 0.4 percent of U.S. GDP. If the United States continues to expand its tariff regime as scheduled, that loss will more than double.

Meanwhile, Chinese consumers aren’t paying higher prices for U.S. imports. A study by the Peterson Institute for International Economics shows that since the beginning of 2018, China has raised the average tariff rate on U.S. imports from 8.0 percent to 21.8 percent and has lowered the average tariff rate on all its other trading partners from 8.0 percent to 6.7 percent. China imposed tariffs only on U.S. commodities that can be replaced with imports from other countries at similar prices. It actually lowered duties for those U.S. products that can’t be bought elsewhere more cheaply, such as semiconductors and pharmaceuticals. Consequently, China’s import prices for the same products have dropped overall, in spite of higher tariffs on U.S. imports.

Beijing’s nimble calculations are well illustrated by the example of lobsters. China imposed a 25 percent tariff on U.S. lobsters in July 2018, precipitating a 70 percent drop in U.S. lobster exports. At the same time, Beijing cut tariffs on Canadian lobsters by three percent, and as a result, Canadian lobster exports to China doubled. Chinese consumers now pay less for lobsters imported from essentially the same waters.

## **THE INESCAPABLE DEFICIT**

Beijing has proved much more capable than Washington of minimizing the pain to its consumers and economy. But the trade war would be more palatable for Washington if its confrontation with China were accomplishing Trump’s goals. The president thinks that China is “ripping off” the United States. He

wants to reduce the United States' overall trade deficit by changing China's trade practices. But levying tariffs on Chinese imports has had the paradoxical effect of inflating the United States' overall trade deficit, which, according to the U.S. Census Bureau, rose by \$28 billion in the first seven months of this year compared with the same period last year.

The uncomfortable truth for Trump is that U.S. trade deficits don't spring from the practices of U.S. trading partners; they come from the United States' own spending habits. The United States has run a persistent trade deficit since 1975, both overall and with most of its trading partners. Over the past 20 years, U.S. domestic expenditures have always exceeded GDP, resulting in negative net exports, or a trade deficit. The shortfall has shifted over time but has remained between three and six percent of GDP. Trump wants to boost U.S. exports to trim the deficit, but trade wars inevitably invite retaliation that leads to significant reductions in exports. Moreover, increasing the volume of exports does not necessarily reduce trade deficits unless it is accompanied by a reduction in the country's spending in terms of consumption and investment. The right way to reduce a trade deficit is to grow the economy faster than concurrent domestic expenditures, which can be accomplished only by encouraging innovation and increasing productivity. A trade war does the opposite, damaging the economy, impeding growth, and hindering innovation.

Even a total Chinese capitulation in the trade war wouldn't make a dent in the overall U.S. trade deficit. If China buys more from the United States, it will purchase less from other countries, which will then sell the difference either to the United States or to its competitors. For example, look at aircraft sales by the U.S. firm Boeing and its European rival, Airbus. At the moment, both companies are operating at full capacity. If China buys 1,000 more aircraft from Boeing and 1,000 fewer from Airbus, the European plane-maker will still sell those 1,000 aircraft, just to the United States or to other countries that might have bought instead from Boeing. China understands this, which is one reason it hasn't put higher tariffs on U.S.-made aircraft. Whatever the outcome of the trade war, the deficit won't be greatly changed.

## **A RESILIENT CHINA**

The trade war has not really damaged China so far, largely because Beijing has managed to keep import prices from rising and because its exports to the

United States have been less affected than anticipated. This pattern will change as U.S. importers begin to switch from buying from China to buying from third countries to avoid paying the high tariffs. But assuming China's GDP continues to grow at around five to six percent every year, the effect of that change will be quite modest. Some pundits doubt the accuracy of Chinese figures for economic growth, but multilateral agencies and independent research institutions set Chinese GDP growth within a range of five to six percent.

Skeptics also miss the bigger picture that China's economy is slowing down as it shifts to a consumption-driven model. Some manufacturing will leave China if the high tariffs become permanent, but the significance of such a development should not be overstated. Independent of the anxiety bred by Trump's tariffs, China is gradually weaning itself off its dependence on export-led growth. Exports to the United States as a proportion of China's GDP steadily declined from a peak of 11 percent in 2005 to less than four percent by 2018. In 2006, total exports made up 36 percent of China's GDP; by 2018, that figure had been cut by half, to 18 percent, which is much lower than the average of 29 percent for the industrialized countries of the Organization for Economic Cooperation and Development. Chinese leaders have long sought to steer their economy away from export-driven manufacturing to a consumer-driven model.

To be sure, the trade war has exacted a severe psychological toll on the Chinese economy. In 2018, when the tariffs were first announced, they caused a near panic in China's market at a time when growth was slowing thanks to a round of credit tightening. The stock market took a beating, plummeting some 25 percent. The government initially felt pressured to find a way out of the trade war quickly. But as the smoke cleared to reveal little real damage, confidence in the market rebounded: stock indexes had risen by 23 percent and 34 percent on the Shanghai and Shenzhen exchanges, respectively, by September 12, 2019. The resilience of the Chinese economy in the face of the trade war helps explain why Beijing has stiffened its negotiating position in spite of Trump's escalation.

**The resilience of the Chinese economy helps explain why Beijing has stiffened its negotiating position.**

China hasn't had a recession in the past 40 years and won't have one in the foreseeable future, because its economy is still at an early stage of development, with per capita GDP only one-sixth of that of the United States. Due to declining rates of saving and rising wages, the engine of China's economy is shifting from investments and exports to private consumption. As a result, the country's growth rate is expected to slow. The International Monetary Fund projects that China's real GDP growth will fall from 6.6 percent in 2018 to 5.5 percent in 2024; other estimates put the growth rate at an even lower number. Although the rate of Chinese growth may dip, there is little risk that the Chinese economy will contract in the foreseeable future. Private consumption, which has been increasing, representing 35 percent of GDP in 2010 and 39 percent last year, is expected to continue to rise and to drive economic growth, especially now that China has expanded its social safety net and welfare provisions, freeing up private savings for consumption.

The U.S. economy, on the other hand, has had the longest expansion in history, and the inevitable down cycle is already on the horizon: second-quarter GDP growth this year dropped to 2.0 percent from the first quarter's 3.1 percent. The trade war, without taking into account the escalations from September, will shave off at least half a percentage point of U.S. GDP, and that much of a drag on the economy may tip it into the anticipated downturn. (According to a September *Washington Post* poll, 60 percent of Americans expect a recession in 2020.) The prospect of a recession could provide Trump with the impetus to call off the trade war. Here, then, is one plausible way the trade war will come to an end. Americans aren't uniformly feeling the pain of the tariffs yet. But a turning point is likely to come when the economy starts to lose steam.

If the trade war continues, it will compromise the international trading system, which relies on a global division of labor based on each country's comparative advantage. Once that system becomes less dependable—when disrupted, for instance, by the boycotts and hostility of trade wars—countries will start decoupling from one another.

China and the United States are joined at the hip economically, each being the other's biggest trading partner. Any attempt to decouple the two economies will bring catastrophic consequences for both, and for the world at large. Consumer prices will rise, world economic growth will slow, supply chains will be disrupted and laboriously duplicated on a global scale, and a digital divide—



in technology, the Internet, and telecommunications—will vastly hamper innovation by limiting the horizons and ambitions of technology firms.

## **SILVER LININGS**

Trump's trade war does not seem to simply seek to reduce the trade deficit. Rather, his administration sees the tariffs as a means to slow China's economic rise and check the growing power of a geopolitical competitor. At the heart of this gambit is the notion that China's system of government involvement in economic activities represents a unique threat to the United States. Robert Lighthizer, the U.S. trade representative, has insisted that the purpose of the tariffs is to spur China to overhaul its way of doing business.

**Robert Lighthizer, the U.S. trade representative, in Washington in May, 2019** Erin Schaff / The New York Times / Redux

Ironically, it is China's private sector that has been hardest hit by the trade war, as it accounts for 90 percent of Chinese exports (43 percent of which are from foreign-owned firms). If the trade war persists, it will weaken the private sector. China may well agree to commit to purchasing large quantities of U.S. goods as part of a settlement. But such purchases can be made only by the government, not by the private sector. The United States should recognize that securing such a commitment would basically compel the Chinese government to remain a large presence in economic affairs. The trade policy of the Trump administration threatens to undermine its own stated objectives.

U.S. officials should reconsider their analysis of the Chinese economy. To think that there is a unique "China model" of economic development, which represents an alternative and a threat to liberal market systems, is ahistorical nonsense. China has achieved rapid growth in the past 40 years by moving away from the old system of state control of the economy and embracing the market. Today, the market plays a dominant role in resource allocation, and the private sector accounts for more than two-thirds of the economy.

However, the government-controlled sector remains too big, inefficient, wasteful, and moribund, more of a bane than a boon to the economy. It is also a source of growing friction between China and the West, which fears, with good reason, that Chinese government subsidies and support unfairly advantage

state-owned firms. This arrangement needs to change, both for China and for its trading partners.

WEIJIAN SHAN is Chair and CEO of PAG, a Hong Kong–based private equity firm, and the author of *Out of the Gobi: My Story of China and America*. This article is part of a project of the Library of Congress' John W. Kluge Center, supported by the Carnegie Corporation of New York.

<https://www.foreignaffairs.com/articles/asia/2019-10-08/unwinnable-trade-war>

### **US passing Hong Kong human rights and democracy act will only ‘punish the wrong people’: ex-Trump envoy Susan Thornton**

- Susan Thornton, formerly America’s most senior diplomat in East Asia, says the bill is a ‘huge mistake’ and reflects misconceptions in the US about China’s rise
- She says stripping Hong Kong of its special status will hurt Hongkongers and have ‘Beijingers dancing in the streets’

**John Power** Published: 9:00pm, 9 Oct, 2019



Susan Thornton, formerly America’s most senior diplomat in East Asia.  
Photo: Bloomberg

[A US bill that could strip Hong Kong](#) of its special trading status by subjecting the city to an annual review of democratic freedoms would hurt Hongkongers and play into the hands of Beijing, according to a former top envoy for Asia in the Trump administration.

In a wide-ranging interview, Susan Thornton, who served as acting assistant secretary of state for East Asian and Pacific affairs, said passing the bipartisan Hong Kong Human Rights and Democracy Act would be a “huge mistake” that would end up “punishing exactly the wrong people”. “To me, Beijing would like nothing more than the US to remove Hong Kong’s special status. I don’t really get it. I don’t understand what game they think they are playing,” said Thornton, who retired from the Department of State in July after more than 25 years of service, referring to US lawmakers pushing the bill.

The career diplomat, who has held overseas postings in [China](#), [Central Asia](#), [Russia](#) and the Caucasus, said the proposed legislation reflected a misinformed political conversation in the [United States](#) about China and Hong Kong.

“I don’t think they think about it much, but they just have this one bill that has Hong Kong in it, and they’re wielding it like a club, and they don’t seem to understand that the club is basically going to whack the Hongkongers upside the head, and the Beijingers will be dancing in the streets.”

Thornton, who is now a senior fellow at Yale University’s Paul Tsai China Centre, said that rather than trying to punish Hong Kong, the US should be seeking to act as a “moral compass”. She accused Washington of being “irresponsible and misinformed” with its remarks on the recent unrest in the city, arguing that US officials should express disapproval of violence from all sides.

“Condemning violence on the part of the protesters, rather than cheering them on because they are singing the US national anthem, I think, would be appropriate, but also condemning police violence,” she said. “Basically just saying the right things, which we haven’t been doing.”

Republican Senator Marco Rubio, who introduced the bill in June, has said it aims to “hold China to its promise” to respect the autonomy and freedoms afforded to Hong Kong under the

[Sino-British Joint Declaration](#) that was signed before the city’s return to Chinese rule in 1997. [With the party over, Beijing needs progress on Hong Kong, trade talks](#) Hong Kong leader [Carrie Lam Cheng Yuet-ngor](#) has criticised the bill as an attempt to interfere in the city’s internal affairs, but local democracy activists such as [Joshua Wong Chi-fung](#) and Denise Ho Wan-sze have lobbied for its passage, which they say will guarantee and further the city’s democratic freedoms. The Senate bill and a similar proposal in the House of Representatives have attracted the support of more than three dozen Republican and Democratic lawmakers since their introduction earlier this year. After clearing the committee stage, the proposed legislation is expected to go to a vote soon, possibly this month.

Under the US-Hong Kong Policy Act of 1992, Washington treats Hong Kong differently from mainland China in areas including trade and export controls. The 2019 act, if passed, would require the US government to assess Hong Kong’s level of [human rights](#)

and democracy each year to determine whether Washington should continue to grant these trade privileges. It could also pave the way for diplomatic action and economic sanctions against the city's government.



Hong Kong police chase down a couple wearing masks in Hong Kong's Central district on Saturday. Photo: AFP

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Hong Kong is in its 18th straight week of [anti-government protests](#) triggered by a now-scraped extradition bill. Since October 1, China's National Day, radical protesters have escalated vandalism and violence to new levels, trashing and burning shops, bank branches and subway stations.

Thornton was the longest-serving senior envoy for Asia under the administration of US President Donald Trump. A formal nomination to become assistant secretary failed due to opposition in the Senate from China hawks such as Rubio. Since leaving the government, she has taken aim at Trump's overall policy of confrontation with China in areas ranging from technology to trade.



Thornton has taken aim at Donald Trump's policy of confrontation with China in areas ranging from technology to trade. Photo: AFP

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"I think it would be much more productive to try to work with them constructively on that than to try to isolate them, keep them out, block their development and contest what they are doing in the world," she said.

While acknowledging that the US had legitimate complaints about China regarding market access and intellectual property protection, Thornton said Washington was in denial about the inevitability of Beijing exerting more influence in the world. Her country had resorted to a "dog in the manger" approach to China's rise, she added.

[Singapore class on dissent 'not training for Hong Kong-style protests'](#)

"We are kind of delusional about our reality and what we are dealing with, I think," Thornton said. "China is a country of 1.4 billion people, they opened up their country to the world in order to develop it, and the idea that we were going to stop them is not realistic."

She said there was a widespread misconception that previous US administrations had squandered opportunities to keep China "weak and poor" by engaging it in diplomacy and cooperation.

"The problem with that argument is that it assumes there is something we could have done to change the internal dynamics inside China – if we had foreseen the rise of [Xi Jinping](#) and his turn towards greater internal

repression in Chinese domestic politics, that there's something we could have done to alter or prevent that."

On [North Korea](#), Thornton said she was pessimistic about the prospects of [Kim Jong-un](#) relinquishing his nuclear weapons, but expressed disappointment that the Trump administration had not tried to exploit the dictator's reported interest in economic development for his impoverished country.



Thornton said the US must try to exploit Kim Jong-un's reported interest in economic development for his impoverished country. Photo: AP

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"My unceasing desire has been for people to seriously test that proposition by offering something, and seeing what they are willing to do on denuclearisation," she said. "But so far, we haven't really managed to offer anything where people would reasonably say: 'Oh yeah, well that's something that's really important for their economic development, so if they are not willing to do anything on denuclearisation to get that, it's obvious that they are not willing to do anything, period.'"

Thornton also expressed scepticism about Washington's efforts to stop Pacific Island nations from switching their diplomatic allegiance from Taiwan to mainland China. The Solomon Islands and [Kiribati](#) last month became the latest countries to ditch Taipei, bringing the self-ruled island's number of diplomatic allies to 15.

“I think what we also have to realise in this diplomatic game is that as China’s influence and weight in the international system grows, it’s going to be harder and harder for countries to justify recognising Taiwan, no matter what kind of dollar diplomacy or other things are happening,” she said. “So the idea that the US is trying to shore up Taiwan’s diplomatic allies is probably not a very strong hand to play in the long term.”

This article appeared in the South China Morning Post print edition as: HK bill ‘will punish wrong people’

**\*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.
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**\*\*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.

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