



February 10, 2020

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>Jan 2020</u>
Hong Kong Partners LP*	-6.8 %
Hang Seng Index**	-6.7%
Hang Seng Small Cap Index	-6.4%
MSCI HK Small Cap Index	-7.2%
HS Mid Cap Index	-8.7%

Partners' NAV \$2.42132 after management fee and provisions, but before annual incentive fees of 15% on appreciation.

What began as a sunny January start to the year for Hong Kong stocks was upturned in the latter part by the contagious Corona virus lightning bolt. Gains in our South Ocean's portfolios of Hong Kong-listed small/mid cap stocks were reversed with the sudden outbreak which originated in the Chinese city of Wuhan in Hubei Province.

As of this writing, the disease count was 28,000 confirmed cases (and still rising), mostly in China, with 600 deaths. These numbers surpass the number of SARs virus cases in 2003, but is less virulent with a 2% death rate for the Corona virus versus 10% for the SARs virus. Hong Kong has cancelled flights to mainland China and closed its borders to incoming China visitors as the World Health Organization has declared a global health emergency.

The situation remains disruptive and volatile. China is shut down, guaranteeing 50 million of its citizens (to equate, California, the most populated US state, has 40 million people). All restaurants along with lots of Apple iPhone stores and Starbucks on the mainland are closed. Factories have suspended operations as precautions are set in full force everywhere.

My wife, family and I were holidaying over Chinese New Years in late January in Thailand, en-route to Hong Kong from the US. Our plans were to head to Hong Kong after CNY but we have postponed returning until the situation stabilizes. Three quarters of the listed companies of the Hong Kong Stock Exchange are due to report by March 31 fiscal year-end December results. Those reports may be delayed or qualified as audit companies are unable to send teams into China to review.

For the time being, we are watching events unfold from afar. We are hopeful for a speedy passing and containment of the unfortunate contagion.

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.