SOUTH OCEAN 南海管理有限公司
MANAGEMENT, LTD.
HONG KONG

November 13, 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:

	Oct. 2020	Year-to-date
Hong Kong Partners LP*	2.3%	-18.1%
Hang Seng Index**	4.2%	-13.1%
Hang Seng Small Cap Index	-1.5%	1.3%
MSCI HK Small Cap Index	0.8%	-3.4%
HS Mid Cap Index	1.0%	3.2%

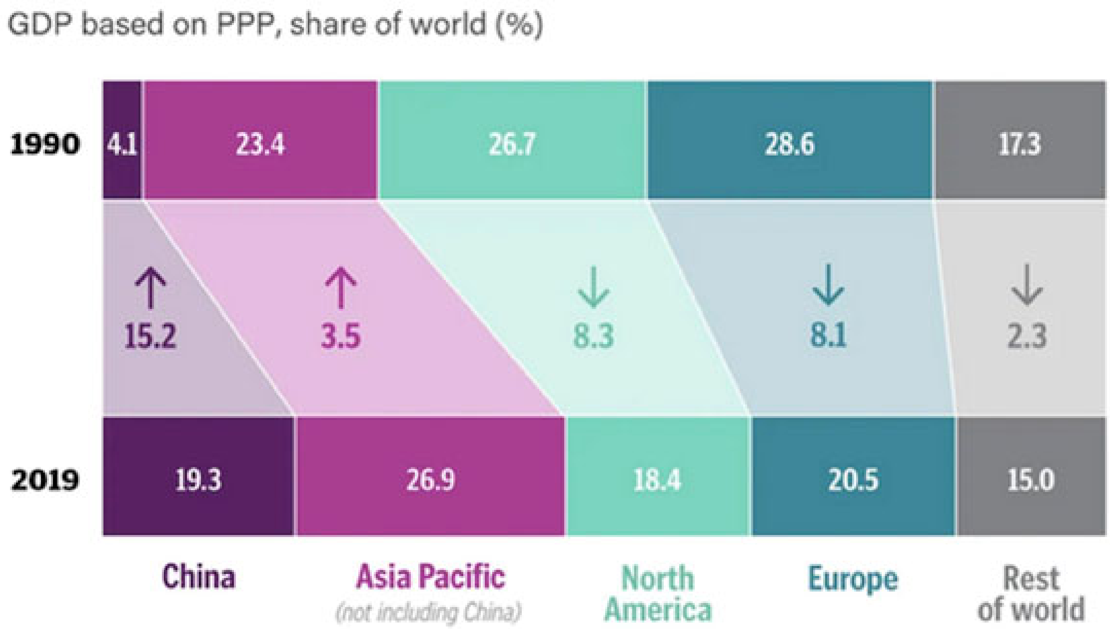
Partners' NAV $2.1204 after management fee and provisions, but before annual incentive fees of 15% on appreciation.
The benchmark indexes cited above are not total return results whereby Hong Kong Partners LP's return is inclusive and net of income and fees. Three of these benchmark indexes are provided by HSI Services in Hong Kong and more information can be found at its website: https://www.hsi.com.hk/eng. More info on the MSCI Index may found here: https://www.msci.com/documents/10199/73920289-8584-47fb-af65-7f57845bfb38

The debate is not Value vs Growth but rather Value vs Quality

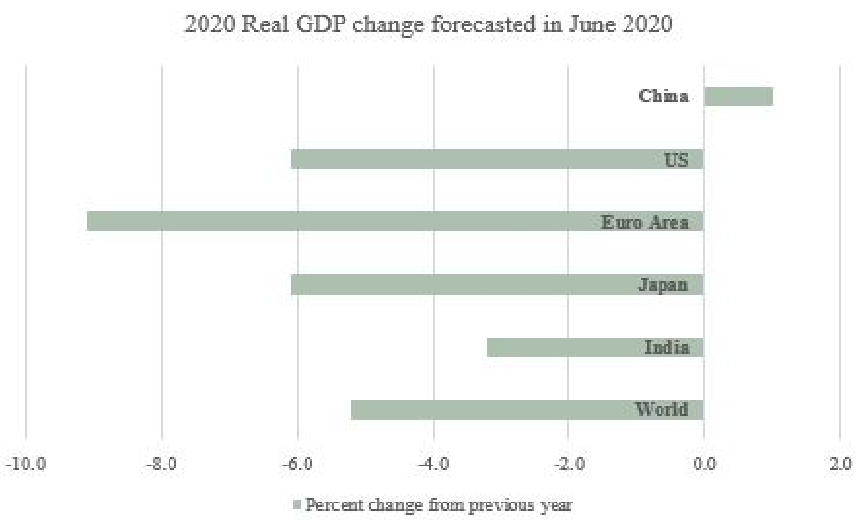
South Ocean's portfolios of small/mid cap, Hong Kong-listed holdings of companies with earnings benefiting from growth in China gained last month. Trading ended last month with stocks selling off sharply in apprehension of the US election results (the Hang Seng Index declined 3.2% the last week of October), but stocks in Hong Kong have, as of this writing, gained all of those losses back and then some.

We added 13 new positions recently (companies mainly operating in the construction/infrastructure sectors of China) of stocks selling below our maximum price to buy discipline (a max price-to-buy restraint benefits us by not over-paying for quality companies we seek to own). We screen for consistently profitable companies selling below our intrinsic value calculation of the future worth of each business. We have been extensively refining our stock selection processes over this past year which is enhancing results.

China's economic growth has exceeded most observers estimates. Expansion of Gross National Product (GDP) of the Middle Kingdom is depicted in the following chart:



Not only has China's GDP jumped in the past 19 years from 4.1% to 19.3% of world GDP, but it has, remarkedly, come through the pandemic and world downturn better than the rest of the world:



Source: World Bank

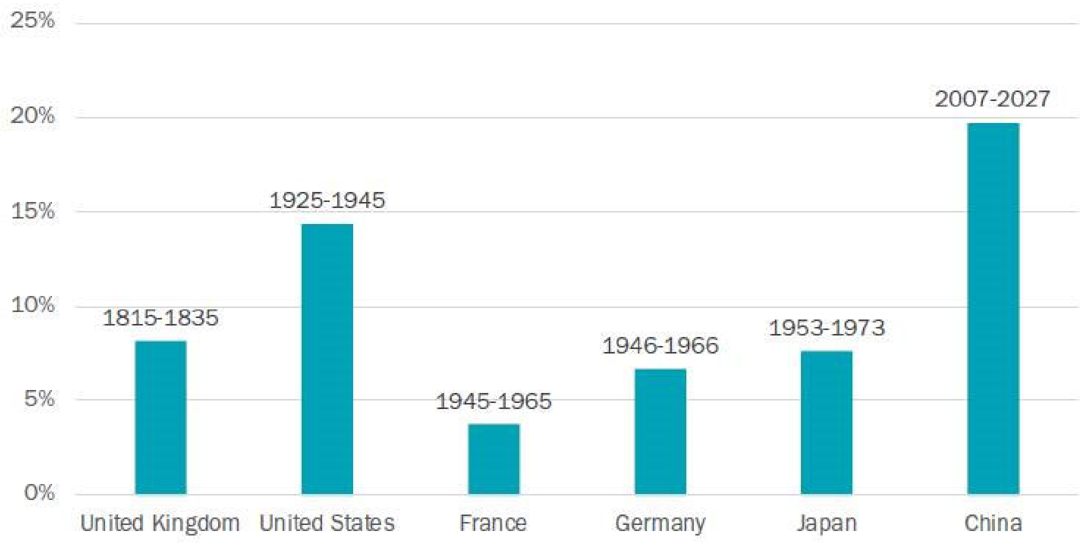
And it's just starting for China.

In a recent commentary, The Power of the Chinese Consumer by Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy, November 2, 2020, China's middle class is an emerging demand force:

Taking the long view, we believe the future contours of global growth and global earnings are inextricably tied to emerging market consumer demand, *notably demand from China*. The accompanying exhibit underpins our conviction and is obtained from the Brookings Institution.4 Exhibit 4 highlights the attractiveness of the Chinese consumer to leading U.S. multinationals; simply put, when it comes to middle class consumption, there's China and the rest of the world. According to Brookings Institution, Chinese middle-class consumers are on track to spend $7.3 trillion in 2020, head and shoulders above the U.S. ($4.7 trillion). Total household spending in the U.S., of course, is higher than in China because U.S. households are richer (higher per capita incomes) although the sheer number of Chinese consumers makes its market size larger—much larger. To this point, in 2006, China's middle class was estimated to number 90 million people. But after adding an average of 60 million people to its middle class every year since then, China's middle class now numbers roughly 750 million people. By 2027, according to Brookings, an estimated 1.2 billion Chinese will be considered middle class—a staggering consuming cohort.

China's middle class will dominate world consumption:

FIGURE 2: BIGGEST CHANGE OVER 20 YEARS IN SHARE OF MIDDLE-CLASS CONSUMPTION EXPENDITURES, 2011 PPP



Source: Maddison Historical Statistics; International Monetary Fund; author calculations.[12]

FIGURE 1: TOP 10 COUNTRIES BY TOTAL MIDDLE-CLASS EXPENDITURES IN 2020 (TRILLION USD, 2011 PPP)

Country	Middle-class consumption
China	$7.3
United States	$4.7
India	$2.9
Japan	$2.0
Russian Federation	$1.6
Germany	$1.5
Indonesia	$1.2
United Kingdom	$1.1
Brazil	$1.1
France	$1.0

Source: Brookings Institution Table above shows consumption by the middle class only. Total household consumption in the United States is higher than in China because of consumption by rich U.S. consumers.

Joseph P. Quinlan, managing director and chief market strategist at U.S. Trust, Bank of America Private Wealth Management, comments further:

> Emblematic of this spending power, China now accounts for one-third to one-half of all global car sales and 40% of the global smartphones market. In 2019, Chinese citizens took a staggering 300 million vacation and business trips, with more than half (116 million) of those trips abroad. Over 90% of Chinese own their own home, with homeownership among Chinese millennials (roughly 70%) much higher than the comparable figure in the U.S. (35%). Meanwhile, Gen Z accounts for 15% of all household spending in China, compared with 4% in the U.S. China e-commerce accounts for 40% of global e-commerce, while the country remains out front in terms of mobile money—90% of Chinese consumers rely on mobile money as their primary form of payment. All of the above is neatly summarized in a recent essay from Bridgewater's Ray Dalio in the entitled, "Don't be blind to China's Rise in a Changing World" and, when it comes to investing in either the U.S. or China, "allocate money to both countries." Also consider allocating capital to Western multinationals leveraged to the Chinese consumer, one of the most powerful consuming cohorts in the world. The Power of the Chinese Consumer Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy, BofA

Other investors agree...

Charlie Munger, C-chairman Berkshire Hathaway Fish Where the Fish Are: Chinese Equities

Ray Dalio, Bridgewater's Dalio supports Ant IPO suspension, bullish on China and Ray Dalio on why Chinese capitalism is on the rise—and why American capitalism is in desperate need of a fix

Jeremy Grantham CEO GMO favors China

Mark Mobius Mobius Capital (formerly Templeton) Mobius on China Stocks

Jim Rogers (formerly Quantum Fund) China On the Rise & Will Inevitably Eclipse The U.S.

South Ocean has been investing in the growth of China through Hong Kong-listed, China-geared stocks since the early 90s. We believe China will continue to surprise investors to the upside.

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

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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.

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.