



December 16, 2021

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. 2021</u>	<u>Year-to-date</u>
Hong Kong Partners LP*	-1.0%	11.2%
Hang Seng Index	-7.5%	-13.8%
Hang Seng Small Cap Index	-3.4%	-6.9%
MSCI HK Small Cap Index	-4.1%	1.4%
HS Mid Cap Index	-2.8%	-10.3%

Partners' NAV \$2.5931 after management fee and provisions, but before annual incentive fees of 15% on appreciation. Please refer to footnotes at the end of this commentary for descriptions of the Fund's indexes and Fund risk disclosures.

South Ocean's Hong Kong Partners' LP was off slightly (-0.95%) in November versus a decline of -6.01% for the Hang Seng Index. The Morningstar year-to-date performance for 45 Hong Kong equity mutual funds returned an average of -10.75% (January through November) versus our Hong Kong Partners LP net return this year of +10.03%. (Our results may be further researched in various fund manager databases including EurekaHedge, Lipper, Bloomberg, HFR and Reuters). We are open for new, accredited investors.

The emergence of the Omnicron Covid variant spooked investors in Hong Kong last month. The large cap Technology and Energy stocks were the weakest sectors. Our top performers were two smaller cap technology companies: 5G telecommunication network router manufacturer, PLOVER BAY TECH (our largest holding, +43.7%, code 1523hk, HK\$ 4.4 billion market cap US\$ 564 million market cap ) and circuit board laminates manufacturer KINGBOARD HOLDINGS (+14.8%, code 148hk, HK\$ 43.6 billion market cap, US\$ 5.5 billion market cap ). Detractors in the portfolio were XINYI GLASS (-13.3%, code 868hk, HK\$ 82.1 billion market cap, US\$ 10.5 billion market cap) and CHINA GAS HOLD (-28.0%, code 384hk, HK\$ 83.4 billion market cap, US\$ 10.7 billion market cap ) both affected by the ongoing malaise in China's property market.

Two charts below showing the relative valuation of the Hang Seng Index and the S&P 500 Index:

<b>HANG SENG INDEX</b>		<b>30-Nov-21</b>	
<b>Index Price: 23,852.24</b>			
<b>Valuation Measure</b>	<b>2021 Est</b>		<b>2022 Est</b>
Price/ EPS	12.01		10.70
Price/ EPS positive	12.01		10.70
Price/ Cash flow	8.34		7.44
Dividend Yield	2.73		3.02
Price/ Book	1.24		1.14
Price/ Sales	1.15		1.05
Price/ EBITDA	8.22		7.62
EV/EBITDA	7.17		6.35
Net Debt/ EBITDA	0.30		0.01

<b>S&amp;P 500 COMPOSITE</b>			
<b>Index Price: 4567</b>			
<b>Valuation Measure</b>	<b>2021 Est</b>		<b>2022 Est</b>
Price/ EPS	22.45		20.72
Price/ EPS positive	22.45		20.72
Price/ Cash flow	17.81		15.92
Dividend Yield	1.30		1.41
Price/ Book	4.65		4.24
Price/ Sales	2.84		2.68
Price/ EBITDA	14.33		12.99
EV/EBITDA	14.36		13.03
Net Debt/ EBITDA	1.14		0.86

Refinitiv data.

The Hang Seng Index sells at ½ the value of the US index. The Hong Kong stock market is one of the cheapest, large markets (US\$3.3 trillion) in the world.

We are quite positive on the outlook for China and shall explain our optimistic views in next month's letter.

As we close the year, may you and all your love ones enjoy peace and happiness this holiday season.



"Upon The Highest Bough" Jack Sorenson • Western Artist

Sincerely,



*"Buying China Growth Through Undervalued Companies"*

Brook McConnell

President, **South Ocean Management, Ltd.** (Est. 1992)

21/F, The Phoenix building, 23 Luard Road Wan Chai

**Hong Kong**

Tel: +852 2521-0332, Cell +852 9082-7474

US Cell: +1 (406) 203-3001

[www.south-ocean.com](http://www.south-ocean.com)

South Ocean Management, Ltd. is a fund management company based in Hong Kong. South Ocean has 6 team members and is registered with the SFC and SEC regulators.

\*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.

The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies.

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](mailto: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.