SINTRA FUND, LTD.
8326 Lullwater Drive, Dallas TX 75218 - Tel 212-644-0309-Fax 212-644-0320
e-mail: jhpinto@sintracapital.com www.sintracapital.com

Report to Shareholders of the Sintra Fund, Ltd.
July 2013

Dear Investor:

We are pleased to provide this report for the month of July. The exact monthly investment performance figures will be sent to investors later in August, once the results are calculated by International Fund Management Corp., the fund's calculation agent.

Market volatility overshadowed the year's second quarter. The market appeared tethered to Ben Bernanke's every press conference, moving in lockstep with how sincere the Federal Reserve Chairman sounded about if and when he would ease off the QE throttle. Eventually, the acceptance of the concept of 'tapering' allowed investors to reconcile their apprehensions and act with greater confidence toward the market. Thus, July investment performance should make up for the June swoon Mr. Bernanke sparked with his infamous June 19 speech. Incidentally, a former Federal Reserve official informed me that perhaps Mr. Bernanke's unusually candid remarks were due in no small part to speaking publicly one day after President Obama summarily fired him. The official felt that the President's nearly unprecedented action upset Mr. Bernanke and disrupted his normal deliberate public demeanor.

The U.S. economic engine appears to be finally revving up, as the U.S. consumer gently increases pressure on the accelerator. The important bellwether sectors of consumer confidence, the housing market, and automotive sales each demonstrate incremental improvement.

For example, consumer confidence rose in June to a five-year high (The Conference Board). Both the present-conditions assessment and the expectations component have shown steady improvement. Furthermore, the Thomson Reuters/University of Michigan consumer sentiment survey and the Bloomberg Consumer Comfort Index also hit their highest levels in five years. What's more, the Bureau of Labor Statistics recent JOLTS (Job Openings and Labor Turnover Survey) showed a steady increase in the number of workers voluntarily leaving their jobs for something better throughout 2013.

An important component of the consumer confidence boost is the continued improvement in U.S. household net worth. The rise in house prices and the stock market has enhanced net worth by $3 trillion in the first quarter of 2013, representing the fastest pace of growth since 1999. Notably, household net worth has now surpassed its old pre-recession high by $2.3 trillion.

On the housing front, the National Association of Realtors Pending Home Sales Index recently hit its highest level in more than six years. This measures the number of signed contracts for the purchase of an existing residence, and it reflects a 12.1% increase year-on-year. Even more encouraging, the pace of new home sales is 29% higher than in 2012. Although this good news comes with the caveat that the economic baseline could hardly have been lower, the fact remains that the economy is advancing.

Regarding autos, national production is running at an annualized pace of 7.4% for the three months ending in May 2013. Further, auto assemblies surpassed 11 million for the first time since early 2007. American consumers are quite literally driving their way to economic recovery.

Emerging and frontier markets have not enjoyed similar fortunes. Accelerating global rebalancing, favorable demographics, and accommodative interest rates support these markets' attractiveness going forward. Nevertheless, a dampening of enthusiasm for these burgeoning countries slightly tarnished what otherwise had been a remarkable year. Although the Fund remains positive for its exposure in these markets, the MSCI Emerging Markets Index fell almost 13% for the first half of the year. The reason, of course, is that the majority of the Index's emerging markets exposure lies in the most liquid and highly capitalized equities of the Brazilian, Russian, Indian, and Chinese (BRIC) markets. Combined, the four BRIC economies make up roughly 45% of emerging market capitalization.

As far as the Fund is concerned, we are not as intrinsically linked with the BRIC markets as the Index—a fact of which our performance in emerging markets is proof positive. To wit, Fund exposure is nonexistent in Brazil. The Brazilian government cannot get out of its own way as it interferes in the management of state-controlled companies and bloats the corporate payroll with unneeded employees. Meanwhile, the population floods the streets, demonstrating against a government that can host the Olympics and the World Cup yet come up short in terms of providing basic services. Investment performance has not been destroyed in India, fortunately, as the Fund is concentrated in Indian banking, finance, and information technology. In Russia, the Fund is not exposed to the commodities sector, which has stumbled of late. In China, the Fund continues to avoid state-owned banks, cement companies, and large steel and petro-chemical companies. The Fund instead focuses its exposure on healthcare and environmental protection, two sectors touched upon in last month's letter that continue to reward the Fund handsomely.

Additionally, equities related to increased tourism and automation are of increasing interest to our investments in China.

Expounding further on the Middle Kingdom, China's communist party has over 80 million members. For a leader to rise to the top in such a political environment, many compromises must be struck. Thus, it will clearly take time for recently installed President Xi Jinping and his cadre to further cement their positions.

Policy changes could take place at the Third Plenary Session of the 18th Party Congress, likely to be held in October. In order to prepare for the Congress, the central government is auditing local governments in order to identify the extent of provincial liabilities. During the 2009 stimulus program, provincial governments took on increased debt and the central government is now demanding liability reduction. Indeed, the government recently banned the construction of official buildings for a 5 year period, and all future plans for such governmental office towers are to be cancelled!

The possibilities for potential policy reforms are myriad, and President Xi & Co. will likely keep everything close to the vest as deliberations unfold. One possible reform, however, could be the installation of property tax rates throughout China. An additional potential development revolves around a change in the internal passport system. Under the current *"Hukou"* system, minimal freedom of movement exists from town to city throughout the vast nation. It is anticipated that this system may be overhauled in order to facilitate further urbanization and enhance the interconnectedness of China's people and industries.

Although China's economic growth rate has slowed, the country is still advancing. According to McKinsey & Company, in 2000 just 4 percent of China's urban households earned income at levels that, on a purchasing-power-parity basis, placed them in the middle class. That percentage grew to 68 percent in 2012. Furthermore, the upper middle class is now outpacing the growth of the middle class. Indeed, the new government will press for China to transition from an export-led economy to one driven by consumer demand. Along the way, certain economic stimuli are necessary to guide the economy in such a manner that harnesses the full power and potential of the Chinese populace. Case in point, this month the central bank eased up on terms relating to inter-bank liquidity in order to ease credit restrictions. Furthermore, the recent elimination of the lending rate floor for financial institutions proved a boon to business activity. These measures bode well for the future; much work remains, however, as China's top-down command economy is hardly well-equipped to usher in the dynamic transition from export-led growth to a consumer-based economy.

Ultimately, the government must concentrate upon improvements in the social welfare system if it wants to remain in power long-term. China longs for securing a state of social stability, and will gear policy directives towards this end. The important components would include healthcare, environmental protection, education, and housing. Natural resources likewise are critical for fueling industrial growth.

The June investor letter noted that emerging market capital flight caused the Fund's Indonesian equities to lose ground as part of the fallout from Bernanke's aforementioned remarks. The Indonesian government's reduction of fuel subsidies for the first time since 2008 only exacerbated the situation further. We are pleased to report, however, that on an overall basis the equities have rebounded, just as Dino Patti Djalal, the Indonesian ambassador, predicted. **Indonesian Telecom** is recovering, while **Multi Bintang**—the regional Heineken beer distributor—now represents a 90% gain for the Fund. **Unilever Indonesia**, meanwhile, has provided a 50% gain for the Fund.

We are maintaining our focus for sustainable, profitable companies for inclusion in the Fund's portfolio in the emerging/frontier markets.

Your trust and confidence is very much appreciated.

Sincerely,

John H. Pinto