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Report to Shareholders of the Sintra Fund, Ltd.
January 2018

January 26, 2018

Dear investor,

> **"All investors should hold at least 10% of their stocks in emerging-market equities, and allocations up to 25% would not be imprudent today."**
>
> *-Burton Malkiel, **Wall Street Journal**, January 23, 2018 (A17); Mr. Malkiel, is the author of "A Random Walk Down Wall Street."*

We are pleased that the Fund's investors have afforded us the opportunity to invest in emerging-market equities on their behalf. The above quotation from the renowned and respected author Burton Malkiel is based on the following concept: With a broad diversification in asset classes, "Investors have historically enjoyed smoother gains during bull markets and gentler losses during bear markets...internationally diversified portfolios tend to see less volatile returns over time and better risk-adjusted performance." Indubitably, our goal is to achieve this objective for our investors.

We are also pleased to provide this report for the month of January 2018. The exact monthly investment performance figures will be sent to investors later in February, once the results are calculated by International Fund Management Corp., the Fund's calculation agent.

2018's first month saw record-breaking snowstorms pelt the northeast, President Trump's tumultuous tenure in office reach the one-year mark, and global markets advance to signal what will hopefully be the opening salvo of a robust year of growth. Further, China's figures reported that the purchasing managers index is still in an expansionary mode. Encouragingly, consumer price inflation came in at 1.7% and new loan growth was 13.3% higher than last year. The Central Bank also created a temporary loan facility permitting 2% of reserve funds to be used for 30 days during next month's Chinese New Year. Adroitly, this will enable banks to facilitate extra-large cash demands, which occur with festive aplomb over the joyous holiday period in the Middle Kingdom. Indeed, mobile payments and credit cards are becoming more popular, but cash is still king in China.

The central economic working conference held in December moved forward on the concept of "high quality growth" to replace "high speed growth." The distinction between the two is key, as "high quality growth" looks beyond merely relying on gross domestic product as the only measurement indicator of growth. To wit, key themes for this reframed economic outlook will be environmental protection, rural revitalization, and state sector reforms that will be advanced into the electricity, energy, and railroad industries. Furthermore, we believe it would be a positive development if management incentive schemes were facilitated for the monolithic state sector industries.

Another focal point of Chinese growth can be found in the proliferation both culturally and economically of consumer products and hardware, especially within the home. For example, landownership in China began in 1989, and in recent years homeowners who purchased their first washing machines and stoves decades ago are ready for upgrades. Additionally, the growing wealth in China makes it easier for consumers to afford new home appliances. Thus, we believe our investment in Midea should continue to flourish. Moreover, the company has a promising newfound "management/partnership" scheme, recently acquired the appliance business of Toshiba, and enjoys a large stake in Kuka, the top robotics manufacturer in Germany. Midea's stock was up 158.66% in 2017 and 12.07% year-to-date.

Within the fund, we have focused on healthcare investment opportunities in China. At the J.P. Morgan healthcare conference held in San Francisco earlier this January, the argument was put forth that the Chinese are fostering their domestic champions to the detriment of foreign competitors. Particular reference was made to foreign medical device manufacturers, who will most likely find greater difficulty in the future maintaining their higher device prices in China.

The January 22nd edition of the **Wall Street Journal** highlighted the Chinese government's emphasis on developing its domestic healthcare sector. The article points out the contrast between US scientists currently devising Crispr-Cas9 to edit DNA, while the Chinese are already rushing ahead with human trials. A team at the Hangzhou Cancer Hospital is advancing at a much faster pace than their American counterparts, largely due to precautionary regulatory hurdles impeding the speed with which human medical trials can be pursued in the U.S.

Beyond spearheading new breakthroughs in cancer research, the town of Hangzhou, China, plays an integral entrepreneurial leadership role in China. Case in point, the headquarters of Fund holdings Alibaba and Hikvision Digital Technology are based there. The latter company specializes in globally utilized video surveillance products.

Due to the advantages accruing to leading healthcare companies in China, we believe that having ownership stakes in such enterprises will be beneficial for the investors in the Fund. Indeed, we had success in this very area last month. On December 20th, Fund holding Crown Bioscience International, an oncology and diabetes firm, accepted a takeover offer. The purchaser, Japan's JSR Corporation, successfully bid at a 104.6% premium to the average price. The closing is anticipated after a shareholders meeting on February 8, 2018.

Your trust and confidence is very much appreciated.

Sincerely,

John H. Pinto