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Report to Shareholders of the Sintra Fund, Ltd.

December 2017

January 9, 2018

Dear Investor,

We are pleased to provide this report for the month of December 2017. The exact monthly investment performance figures will be sent to investors later in January, once the results are calculated by International Fund Management Corp., the Fund's calculation agent.

The holidays afford us all time to reflect, regroup, and reenergize, toasting all that 2017 had to offer whilst looking ahead towards hitting the ground running in the new year. In between all the festivities and merriment, we often can dedicate time to a particular passion or interest to stoke our intellectual flames around a Christmas fire and sharpen our analytical prowess as we consider the ever-changing world around us. Over the course of the holidays, I had occasion to focus on and enjoy two thought-provoking, potentially prescient books. The first, **No Ordinary Disruption**, discusses four global forces that will drive and shape the future—assertions based on years of research by the McKinsey Global Institute. The second, entitled **The Four**, explores the hidden DNA of the four pre-eminent American tech giants Amazon, Apple, Facebook, and Google. Both are worth delving into and prove to be highly informative, influential works.

Considering first **No Ordinary Disruption**: its first namesake is the shifting locus of economic activity and dynamism to emerging markets like China and to cities within those markets. Moreover, the book predicts that, "by 2025 when China will be home to more large companies than either the United States or Europe, we expect nearly half of the worlds large companies—defined as those with revenues of \$1 billion or more—will come from emerging markets."

The second disruptive force is the acceleration in the scope, scale, and economic impact of technology. Its increasingly rapid advancement represents a paradigm shift in second- and third-world economies the world over. To wit, the book proclaims that, "the impact of processing power, connectivity, and adoption rate is multiplied by the data revolution which places unprecedented amounts of information in the hands of consumers and businesses alike...Technology offers the promise of economic progress for billions of emerging economies at a speed that would have been unimaginable without the mobile Internet." The rate of advancement grows more rapid by the day, and the global economy will transform accordingly as increasingly 'high' levels of technological sophistication become standard across the world.

Demographics represent the third force. As the book notes, “simply put, the human population is getting older.” A smaller workforce will place a greater burden on productivity. Additionally, the cost of care for the increasing population of the elderly will weigh heavily on government finances.

The fourth and final disruptive force is trade flows. Asia is becoming the world’s largest trading region. Further, flows between emerging markets have doubled their share of global trade over the past 10 years and are now the fastest-growing flows. The flows also encompass digital flows from “global downloads of music videos and information to intracompany traffic and e-commerce transactions on Amazon, Alibaba, and other digital platforms, which enable even tiny companies to become ‘micro-multinationals.’” All told, each of these four forces bear monitoring closely and investing in wisely as they work to reshape the world’s economy as we know it.

Turning our attention to **The Four**—a deeper analysis into America’s Mt. Rushmore of tech giants—the chapter that most intrigued me discussed emerging companies with the potential to become the fifth tech colossus. At present, the clubhouse leader among the prospective candidates is Chinese tech company Alibaba. As the book explains, “Nobody manages more retail trade than Alibaba. It makes up 63 percent of all China retail commerce, and 54 percent of packages that travel via China post originate from Alibaba business.” The author postulates that Alibaba’s relationship with the Chinese government burdens the tech firm’s growth potential. To wit, the US and European governments may see Alibaba through a geopolitical lens, and in turn create regulatory hurdles for the company that will slow its expansion beyond China.

The overall theory of **The Four** is that digital technology creates a single market whereby one leader can capture the overwhelming majority of gains. Furthermore, the concept of the “increasing speed of technology” is clarified within the book. The four companies examined are clearly major components of the speed of technological change, and will undoubtedly leave a sizable imprint on the future.

Considering the above through the lens of the Fund’s opportunities, it is certainly our goal to seek out companies that will benefit from the trends outlined in **No Ordinary Disruption** and **The Four**.

In the final month of the year, the Chinese stock market slipped slightly for the first two weeks of December before crawling back to level at year-end. We are pleased that the Fund benefited from China’s insurance sector, reaping the rewards of both a giant company like Ping An (up 109.73% in 2017) with a US\$204 billion market cap, and the much smaller US\$1.3 billion

small cap equity holding Fanhua (up 161.11% in 2017). The latter plans to have 450,000 insurance sales agents by year-end, and anticipates increasing the number to 1 million in 2018.

The anti-corruption purge in China commenced in 2012, hitting the liquor industry particularly hard among corporate entities. This year, our holiday spirits were raised as gift giving of high-end liquor was resurrected in China. Some liquor stocks also bubbled up profitably in December, and promptly the government news agency issued a warning about the sudden appreciation. Fund holding Wuliangye Yibin, a first tier liquor brand producer, was highlighted after it rose 22.9% in December and 131.6% for 2017.

We are optimistic that 2018 will reward the Fund with consistent advancement in investment performance. Naturally, we will closely monitor the vicissitudes of the market to ensure the Fund is not bitten in the upcoming Year of the Dog.

Your trust and confidence is deeply felt.

Sincerely,

John H. Pinto