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.
May 2018

May 30, 2018

Dear Investor,

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

Earlier this month, I was in Australia. During my time Down Under, a banking scandal dominated the local headlines. Commonwealth Bank Australia, the largest Australian financial institution, received a stiff reprimand from the Royal Commission. Among other transgressions, the government found the Bank guilty of "ripping off customers by charging them fees for services they did not receive." Perhaps even more dastardly, the bank failed to report more than 53,000 suspicious transactions as part of a money laundering scheme.

Determined to show strength and set a standard not to be trifled with, the Australian Prudential Regulation Authority imposed a $1 billion capital penalty and a court enforceable agreement to implement 35 changes. The panel found that the CBA's run of record profits facilitated a "dulling of senses within the board" to non-financial risks. The report highlighted a "widespread sense of complacency, a reactive stance in dealing with risks, being insular, and not learning from experience and mistakes." Moreover, "an overly collegial and collaborative working environment lessened the opportunity for constructive criticism or timely decision-making," creating an office culture ripe for malfeasance to become institutionalized. Further, the bank's myriad shortcomings are as follows: complacency at every level of decision-making; dismissive attitudes among leadership towards regulators; an ineffective board lacking zeal or the wherewithal to provide proper oversight and guidance; a paucity of accountability among senior executives, themselves devoid of any willingness to take ownership of key risks; and, a reactive, slow remuneration framework without any bite or sufficient resource systems and internal processes.

A leading Australian financier was less diplomatic in describing the bank's behavior, jibing that it reflects "arrogant incompetence by hopeless people!" Additionally, the report observed that the "CBA had not set aside the requisite space, time and permission for quality reflection, introspection and learning...There is little evidence to suggest that reflection is a skill that is widely valued in practice. In fact there appears to be a general lack of appreciation for its importance." Taking stock of the above, we are reminded of the iconic Shakespearean quip, paraphrased from the original *Hamlet*—something is rotten in the state of Australia.

We can reflect upon other recent stories that expose upper management's inability to synchronize with proper and acceptable business practices. For example, Sir Martin Sorrell was recently dismissed from WPP, the giant advertising firm he created. Undisclosed irregularities regarding misuse of corporate assets proved his undoing. Meanwhile, United States Cabinet member Scott Pruitt of the EPA finds himself under heavy fire for his wanton arrogance demonstrated by first class travel and emoluments of office in a government appointed position.

Juxtaposed against these transgressions in authority and corporate stewardship, consider China's newly implemented technology transfer policies. For example, the US government recently prohibited a Chinese company from acquiring American tech firm Broadcom. Nevertheless, a Chinese graduate student working at Broadcom on proprietary filter technology for cellular phones left the company ostensibly to take up a university teaching position in China. While there, the student along with a Chinese professor conveniently launched a company backed by undisclosed funding utilizing the technology the student worked on at Broadcom. What should be a cut and dried case of corporate espionage if not outright theft becomes a murkier proposition to resolve in the Chinese market. Case in point, Broadcom finds itself in litigation to overturn patents on the very same proprietary technology the student pilfered before returning to China. At this time, Broadcom still cannot sell its own technology in China due to these conflicting patents.

The ethical/moral compass gyrates erratically on a global basis—one must be aware, astute, and careful. Each market no matter how advanced or modern will play by its own rules, influenced by culture and accepted local business or political practices.

The Chinese market has been fluctuating in April and May. This oscillation stems from the developing trade war between the Middle Kingdom and the United States. Most likely, the trade dispute will spur Chinese companies to increase their domestic research and development spending for IC chips and other critical components. Such expenditures would permit a substitution of US imports and bulwark the Chinese against the US "holding them up" in the future. We believe that US threats will drive China to become more self-reliant. Case in point, China is lifting trade restrictions on autos and finance, demonstrating the country's confidence that these industries are strong enough to face international competition.

Fund-holding wealth management specialist Jupai Holdings reported first quarter net income attributable to ordinary shareholders had increased 27.8% over the corresponding period in 2017. The aggregate value of wealth management products distributed by the company during the first quarter was US $1.7 billion with an operating margin of 35.2%. Furthermore, the company now owns 73 client centers covering 48 cities, and its stock will be included in the MSCI China Small Cap index on May 31st. The equity is up 17.08% year-to-date, and we are optimistic about its continuing strength derived from the steadily increasing number of high net worth individuals in China.

Fund-holding Hangzhou Hikvision did get caught up in the trade war. The US Government will no longer permit the Department of Defense to utilize the company's facial recognition/surveillance equipment. Namely, the Chinese government owns 42% of Hikvision, which sports a $356.7 billion market cap and global product distribution. Big brother surveillance is a growing worldwide phenomenon and the company will just have to advance without this particular US customer.

We are hopeful that the trade problems can be rectified. Certain experts and historical observers have stated ominously if not prophetically that over the last 500 years, 16 instances can be identified where a rising power conflicted with a declining power. In 12 of these periods, war occurred. It must be our common goal to avoid such an outcome between the globe's two largest superpowers.

I will be in China in June, which hopefully shall present us a clearer picture not only of the trade war's ramifications but also provide more color on the continued viability of key Fund holdings.

Your trust and confidence is very much appreciated.

Sincerely,

John H. Pinto