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 2018

July 25, 2018

Dear Investor ,

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

For a month where fireworks and revelry are usually reserved only for the outset, July saw explosive drama feature heavily throughout. From the denouement of the World Cup and Wimbledon to President Trump's attention-grabbing sojourn to Europe, the month left many captivated and perplexed. In many respects, Vladimir Putin transcended global spotlights in July, sharing the heads of state viewer's box for the World Cup finale in Moscow while also speaking in tandem with President Trump at the podium in Helsinki. Not lost among the headlines and of chief concern for global market observers, however, are the negative repercussions from Trump's tariff/trade sanction issues on emerging markets. Centered in Trump's crosshairs is China, a popular target of the President's trade war rhetoric. To combat the tariffs, the Chinese proceeded to weaken the RMB, but have yet to reverse current trade policy in retribution to the tariffs.

Amidst all the commotion this month, I recently attended the Special Olympics 50th anniversary events in Chicago. While in the Windy City at month-end, I visited and connected with other attendees, many of whom work in the agricultural industry. Quickly it became clear that the ripple effect of intensified trade wars is making waves on myriad levels. For example, soybean tariffs imposed by the Chinese have reduced prices to the level where a North Dakota farmer's income is down at least 30% in 2018. Furthermore, TV broadcast news in Chicago focused on numerous concerning stories regarding agricultural declines in Illinois due to the import tariffs. Undoubtedly, even greater pressure will be placed on these farmers. Darker times appear on the horizon in light of the Chinese Ministry of Commerce recently urging China-based companies to find alternatives to US trading partners. The Ministry's June statement said companies should "increase imports of soybean, agricultural products, as well as seafood and cars from other countries and regions" other than the U.S.

Even though I have met with our U.S. Trade Representative at his office in Washington DC, I still have no idea how this increasingly antagonistic Trump trade/tariff imbroglio will get resolved. We find ourselves only at the initial phase of President Trump's tariff policies, and yet other countries are already setting up their own relationships. Case in point, Japan and the European Union created a free trade zone among countries representing 40% of the global economy. This will increase access for Japanese-made automobiles into the European Union, while agricultural goods and related EU products surely will become more competitive. Meanwhile, the Regional Comprehensive Economic Partnership was established after President Trump withdrew the US from the Trans-Pacific Partnership. The RCEP covers the 10-member association of Southeast Asian Nations including China.

President Xi made his first overseas trip of the year to the United Arab Emirates. The destination marked a signature moment for Xi, because he became the first Chinese head of state to visit the Arab nation in 29 years. **The China Daily** reports that we may expect "a series of important agreements in such cooperation areas as the belt and road initiative, production capacity, energy, agriculture and finance are expected to be reached during the visit." Suffice it to say, China's economic footprint and influence only grows larger.

Continuing the theme of newfound relationships, the Chinese Ministry of Commerce stated that China is accelerating the pace of negotiations with the European Union to reach a quality bilateral investment treaty. The Ministry spokesman said "the United States is bullying the rest of the world with a big stick in the form of tariffs while claiming how innocent it is." These public statements from foreign officials continue to ring a similar, and increasingly bitter tone in response to our actions.

In the July 22nd issue of the **Financial Times**, Henry Kissinger discussed President Trump in his uniquely eloquent, observant tone. He explained, "I think Trump may be one of those figures in history who appears from time to time to mark the end of an era and to force it to give up its old pretenses. It doesn't necessarily mean that he knows this, or that he is considering any great alternative. It could just be an accident."

Considering this changing global landscape, the Fund's portfolio is concentrated upon stocks with business heavily concentrated in their home countries. These securities are hardly immune from the uncertainty, market noise, and investor reaction to simply sell and not ask questions, yet many of them retain considerable growth potential.

Even in these difficult markets, China's healthcare sector has been among the best performing this year. Within the last 60 days, the single-payer system in China changed significantly with the creation of the new state medical insurance administration. This new ministry will oversee numerous other organizations, which had all dealt with policy, medical aid, drug pricing, medical services, tendering etc. Hopefully, this development will lead to a better alignment of policies for the reform of medical insurance and reimbursement. In order to move generic medicines into the mainstream more quickly, the Chinese government regulated that generic medicines that have passed the quality-consistency evaluation may be quickly added to hospitals purchasing list. Therefore, the generic drugs will be subject to the same reimbursement policy as non-generics. This should reduce basic medical costs in China and assist the growth of high-quality generics.

Our optimistic investment outlook for this sector focuses on these policies' impact on assisting portfolio holdings in the pharmaceutical industry. Namely, those firms with strong capabilities of producing high-quality generics as well as the contract research organizations Instrumental to the approval process.

The general downdraft in emerging markets this month caused declines in medical equities, previous high achievers this year. Guangzhou Baiyunshan Pharm, makers of a popular Chinese herbal drink, continues to gain market share, and has advanced 26.92% year to date. After this month, we could use some therapies for our central nervous system from Jiangsu NHWA, which slid 7.35% this month yet is up 32% year to date. We are awaiting approval by the China food and drug administration for an anticancer drug from Sino Biofarm (down 5.48% this month but +23.58% year to date.) Lastly, Hangzhou Tigermed, the contract research organization, is up 69.19% year to date despite tacking back 10.07% in July.

As should be evident from the consistent theme of this letter, the current elevated trade uncertainty is making it difficult for emerging markets. The tension between healthy current conditions in the US market and any potential trade war has created two tiers. Developed markets are advancing while the China complex is slipping. We are navigating through these choppy waters by reducing exposures, all while aiming to obtain value from oversold leading equities.

Your trust and confidence is very much appreciated.

Sincerely,

John H. Pinto