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

December 18, 2018

Dear Investor ,

We are pleased to provide this report for the month of December 2018. 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 trade friction between the U.S. and China is continuing, despite misplaced optimism in some quarters that the two world powers' temporary trade war hiatus would become permanent. Not surprisingly, this geopolitical squabble appears unlikely to disappear quickly. More pointedly, the underlying problem is a duel for global dominance. The ripple effect from this trade dispute will decelerate economic growth throughout the world. While this downward pressure could temper rising interest rate concerns, slower economic growth will negatively impact corporate earnings across the globe. A butterfly flaps its wings in Mar-a-Lago or Beijing and companies in far off lands miss earnings estimates and tighten up growth and revenue expansion.

In an effort to get to the heart of this matter, I have met individually with the U.S. Trade Representative, Mr. Robert Lightheiser. Encouragingly, he is very determined to change the rules of engagement with China. Although the news media has suggested that the 90-day period until the end of March would bring positive results, grave concerns abound among those on the inside that this timing is too truncated. One wonders if better expectation management among investors and economic observers alike would go a long way towards stabilizing the markets.

The U.S.-China Economic and Security Review Commission submitted its report in late November. I've included in this letter a copy of the Top 10 Recommendations from the Commission as well as the complete list of recommendations for your perusal (see enclosed).

The news media has commented extensively upon the fact that to work effectively with China, U.S. intellectual property must be protected and Chinese companies must be opened so that majority control does not exist with the Chinese. The Commission's recommendations, however, are far more extensive and cover a bevy of issues over which the two superpowers are sure to quarrel.

For example, here are two recommendations:

- Congress examine whether the Office of the U.S. Trade Representative should bring, in coordination with U.S. allies and partners, a “non-violation nullification or impairment” case—alongside violations of specific commitments—against China at the World Trade Organization under Article 23(b) of the General Agreement on Tariffs and Trade.
- Congress direct the Office of the U.S. Trade Representative to identify the trade-distorting practices of Chinese state-owned enterprises and develop policies to counteract their anticompetitive impact.

The Commission suggests the U.S. support the pro-democracy movement in Hong Kong. (Section 4). That is certain to inflame the Chinese! The Commission wishes to enhance the position of Taiwan within the world, yet another Chinese feather-ruffling endeavor by the Americans. The larger concept here can best be described as “focus[ing] high-level US advocacy efforts to secure Taiwan’s membership or participation in [global] organizations.” Moreover, a 90-day time horizon for these efforts is naïve at best. While the Committee’s recommendations lay out a laudable effort from a U.S. perspective, such action is certain to create extended tensions with China. Thus, a review of the recommendations clarifies for us that the ongoing tensions are here to stay. In the new year, we must navigate through economic trade tension waters that increasingly resemble the choppy, treacherous waters of the South China Sea.

Domestically, the macroeconomic numbers all indicate a slowing economy in China. Retail sales growth fell 8.6% year-on-year, while power demand fell from 8% to 6% in September. The credit squeeze continues as P2P loans contracted 36% since June. Looking ahead, the important question to consider for investment purposes in the Middle Kingdom is whether or not the government will advance toward credit easing.

On the Chinese healthcare front, we believe that government drug procurement policies will be proposed to encourage generic drug companies to compete against one another for price reductions. To avoid being caught in the crossfire, we have refrained from holding these potentially vulnerable equities. Nevertheless, we do not see such government mandated price pressures affecting the contract research organizations participating in innovative drug development in China. Thus, we feel comfortable holding Hangzhou Tigermed (+31.83% year-to-date), a leader in the sector. Additional CRO companies that have piqued our interest include Wuxi Apptec (+154% YTD) and Joinn Laboratories (+22% YTD).

Just recently on December 18th, China’s medicines regulator approved a new anemia drug from AstraZeneca and Fibrogen, breaking new ground for Chinese healthcare. To wit, this was the first time a global drugmaker’s treatment won approval in China before any other country in the world. Such faith in Western Big Pharma bodes well for the industry at large in China. Furthermore, foreign drug approvals have increased from 3 in 2016 to 40+ in each of the last two years. We expect this trend to not only continue, but potentially to skyrocket in the years ahead (especially as healthcare strife runs ever deeper in the U.S.). Case in point, a recent *Wall Street Journal* article explained that “drugmakers see a big opportunity in China, where the more affluent urban class can afford private insurance or pay out-of-pocket for treatments…Many companies have reduced prices to get their drugs onto the

[Chinese partial reimbursement] list, and have said the impact of discounting has been offset by the increased number of patients they can reach." In short, we believe strongly that the Chinese healthcare sector should be able to sustain rapid earnings growth even despite a potential global economic slowdown.

I would like to wish all of our investors and their families a Merry Christmas, Happy Chanukah, and a healthy, joyous, and Happy New Year. We are honored to work on your behalf.

Your trust and confidence is most appreciated.

Sincerely,

John H. Pinto