SINTRA FUND, LTD.

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Report to Shareholders of the Sintra Fund, Ltd.
January 2019

January 29, 2019

Dear Investor ,

We are pleased to provide this report for the month of January 2019. 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.

The start of the New Year tantalized investors at times, suggesting that the markets might rebound from the harsh plunge late in 2018, while at others tormented them with bearish body blows. Dominating headlines throughout January, the ongoing Trump tariff and trade dispute cast a pall over the Chinese market (and equities across the globe). On the more positive side of the coin, the Chinese are pressing forward in numerous areas to spur slowing economic growth. While the economic regression is undeniable, the Chinese encouragingly have identified and acknowledged the issue head on, and proactively seek to rejigger their economy to trend upwards once more. We have not seen western media talking about the positive impacts from very proactive fiscal policies (cuts/deductions in personal income tax and corporate VAT etc.) introduced by the Chinese government this fall. The policy implementation efficiency by the one-ruling party should not be underestimated. Additionally, the bank reserve requirements have been reduced five times in order to encourage borrowing and liquidity. Freer cash flow and looser access to financing should help spark China's economic engine. Reserve rate cuts also appear to be in the offing.

Currently, 76% of Chinese GDP stems from domestic consumption. In order to keep this ball rolling, the government has implemented sweeping tax cuts. Occurring in both corporate tax rate reductions as well as a value added tax rate cut, these measures aim to fatten the wallets and growth appetites of Chinese consumers and businesses alike. Additionally, cuts are being implemented to reduce the contribution level required by an individual's social insurance rate. We believe the market will be positively impacted by the effect of the big progressive income tax and VAT tax cuts – about which we see little coverage in the foreign media.

The government continues to confront sliding macro-economic figures that do not portend positively. The official purchasing managers index for manufacturing was down 60 basis points from late fall 2018, and ticked below the expansionary level for the first time since July 2016. Oil price reductions and export pressures are the main culprits here. Indeed, industrial corporate profit growth fell 1.8% in

November, which was reduced from a positive 3.6%. Marking an eighth consecutive monthly drop, these harrowing economic signs give the clear indication that Chinese manufacturing is being pressured.

In order to deal with the Trump trade problem, the Chinese government recently instituted a new policy soon to be approved by the NPC. To wit, the policy prohibits local governments from requiring any technology transfers from foreign entities. Moreover, certain foreign entities will be able to maintain 100% control of their operations. Thus, Tesla pounced on the opening and plans to jolt up a new plant in Shanghai. Remarkably, it will have total and absolute control of the company and will not be required to have a Chinese joint venture partner. Further, UBS has just been granted the right to buy out its minority partner in a Chinese financial services operation. These policies are all being implemented in order to enable China to end the dispute with the US, and are important concessions to consider from an investment opportunity standpoint.

The government is creating a “technology innovation board” for the Chinese Stock Exchange. The goal of this move is to encourage innovative companies and assist with earlier IPO registrations. Initially, securities listed on the board will only be available for institutional investors. The companies will include biotech firms and other corporations with considerable loss-making potential, which the government considers to be too risky for retail investors due to their small size and volatility.

In June, the MSCI index will be enhanced with an increased weighting in China A shares. The weighting will increase from 0.7% to 2.5%. This should bring additional foreign capital into the Chinese market, always a good thing—especially when the local economy is flagging.

The Chinese healthcare sector arrived at year-end in a very oversold position. The government created a new policy whereby a bidding process for market share was set into motion for Chinese generic drug companies. The new policy allows the companies to make a bid to obtain distribution rights for the 11 largest cities. Furthermore, generic drug company bidders reduced their selling prices by an average of 54%, and, in return, the winning bidder was given a 70% market share. Through the Procurement policy, the generic drug company would receive volume increases accounting for 40% of the drug makers’ total annual sales. Confusion over the policy affected the entire healthcare market. Although the policy was directed at generic drug companies, medical device makers and traditional Chinese medicine companies all declined in price.

We are pleased that there’s now been a rebound in the market as the first winners in the centralized procurement program are doing well. Those not affected have seen an improvement in their stock price. We anticipate this trend to continue, and remain confident in the long-term potential of this sector for the Fund.

The Fund this month purchased **Lepu Medical**, a high quality Chinese manufacturer of drug-eluting stents that enjoys a 23% market share. The product also has gross margins of 90%, and the company’s new biodegradable stent, “Neovas,” is a generation-leading technology. Promisingly, it is on the fast track for approval this year, and its profit margin is anticipated to exceed that of the current product. What’s more, Lepu manufactures other medical devices including heart valve prostheses and electronic physiology catheters. Over the past 3 years, net profit is growing better than 20% per annum.

The Fund also established a position in **Hand Enterprise Solution** (+5.82% YTD). The company provides enterprise resource planning implementation for Oracle, SAP, and other Internet companies. It even has its own software system services for intelligent manufacturing and cloud computing. A robust 35% Q3 profit-growth comes from fast growing new orders and improved delivery capacity.

The company has 10,000 employees, two thousand of whom newly came onboard in 2018. This is a clear signal of the direction this company anticipates its growth heading. The government's labor and social insurance policies allow this innovative company to pay reduced Social Security taxation. It's particularly impressive that the company has a new employee share incentive scheme based upon profitability that should motivate the employee base. We feel optimistic that Hand Enterprise Solution will continue its 30% year-on-year growth in the bottom line, and are confident in its value potential for the Fund.

Your trust and confidence is most appreciated.

Sincerely,

John H. Pinto