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Report to Shareholders of the Sintra Fund, Ltd.
July 2021

August 2, 2021

Dear Investor,

We are pleased to provide this report for the month of July 2021. The exact monthly investment performance figures will be sent to investors later in August, once the results are calculated by International Fund Management Corp., the Fund's calculation agent.

July typically begins with fireworks and revelry, punctuating the height of summer celebrations. With the Summer Olympics kicking off several days ago in Japan, we all anticipated similar raucous activity at month-end as well. Chinese President Xi Jinping had a different kind of pyrotechnics in mind, however, and decided to blow up the entire for-profit Chinese education sector. To wit, the Chinese education sector received a swift and unequivocal crackdown, as regulators decreed that after school education for profit must cease indefinitely. This unprecedented draconian measure sent Chinese equities (particularly those listed on American exchanges) spiraling. Right now, the market is bashing all China-listed ADRs. It is not hyperbole to declare that an entire industry has just been regulated out of business. Former Fund-holdings that we have discussed in depth in this space before—New Oriental Education and TAL Education Group to name a few—have lost a large percentage of their equity value overnight. We are fortunate that they were not in the Fund portfolio in July.

The downturn is not merely confined to the education space, however, as investors flee Chinese investments wholesale in fear that their preferred industry may fall under Xi's ruthless regulatory specter next. Case in point, Chinese stocks suffered the largest two-day downturn in share price since the zenith of the financial crisis in 2008. While the new government policy is couched in rhetoric focused on "social equality" (i.e., President Xi wants to prevent the rich from benefitting exclusively due to the high cost of after school tutoring), the real conceit of this paradigm shifting maneuver is political in nature. For decades, China has pushed its next generation to pursue educational opportunities in the Western world and to maximize their learning opportunities above and beyond what is required of them in school. This endeavor was hardly limited to the offspring of the wealthy. In fact, many middle-class Chinese set aside most of their take home pay to afford the after-hours schooling President Xi has now shut down. Going forward, Chinese children no longer will be globally/Western focused in their long-term aspirations. Rather than have young people learn English and train to flourish in a globalized economy, President Xi's new measure aims to keep them domestically focused without any global understanding. The Chinese government's monolith only grows taller.

When the Tokyo Olympics end on August 8th, U.S. legislators will begin attacking the legitimacy of the upcoming Beijing Olympics in 2022. Olympic sponsors will be embarrassed, and all will be done to discredit the Chinese and their ethical right to host the next Winter Games. Due to Xi's increasingly totalitarian rule in Hong Kong and the active genocide and imprisonment of the Uighur population that his administration is both executing mercilessly and discreetly covering up, a great concern going forward is how the U.S. government will continue to pressure Olympic sponsors. What began as a humanitarian plea to move the Olympics out of Beijing and draw increased global attention to the plight of the Uighurs may easily evolve into a bipartisan onslaught against China on a wider range of issues. We cannot predict how these issues will get resolved. Considering Xi's recent strike against private education, however, it would come as little surprise if the geopolitical sparring between the two world powers intensifies considerably.

We have previously delved into China's heavy-handed crippling of Alibaba's fintech startup ANT (inspiring the quasi-permanent disappearance of Jack Ma), and in the same vein believe tightening regulatory scrutiny on Big Tech will continue in China. Since targeting ANT and other fintech in 2019 on microloans, selectively applied government-imposed Anti-Trust Law has been introduced to target big e-commerce platforms. Moreover, live-streaming restriction guidelines target live-streaming operators while cybersecurity laws home in on big data platforms for data security and national security review (this is what affected the DIDI taxi IPO fiasco). The Chinese regulators have been hoping to strengthen supervision of Chinese companies listed overseas for some time. Ultimately, it appears the government's aim is not necessarily to prevent companies from listing abroad, but rather to ensure procedures are in place to control every step of the process. In the short term, all Chinese ADRs listed in the U.S. will be under pressure; and in the long run, more ADRs will seek a dual listing in Hong Kong.

Ultimately, regulatory risk has increased substantially in China (as made clear this month), and investors can clearly recognize that once-promising investments in Chinese companies now carry considerably more intrinsic risk. These companies may still prove fruitful for investors, but we must all tread more carefully going forward. Several weeks ago, we exited Tencent and Alibaba due to the alarming regulatory oversteps Xi's administration made, a concern only exacerbated by this month's events. Fortunately, we had sold out of private education a while ago as it had become a bit overvalued, and we wanted to reduce the position before a market correction occurred. Little did we know that President Xi would brandish his grim reaper-esque scythe for the industry several weeks later.

Despite the jarring nature of recent events, China does remain ahead in its cycle. The Chinese economy was first-in, first-out of the Covid-19 crisis. Furthermore, the government began the month by cutting the reserve requirement ratio by 0.05%, an effort clearly signaling that China's central bank is tacitly encouraging increased lending to smaller Chinese businesses and views this as a more peaceful inflationary environment (at least in China!). Ending the tightening in liquidity diverges from central bank policies in other developed economies. For example, the U.S. just started discussing interest rate hikes and a timetable for quantitative easing tapering. Should the storm clouds and thunderclaps reverberating from Xi's smiting of private education subside in the second half of the year, we anticipate that loosening liquidity in China will spur the A-share markets to outperform the S&P 500 over the coming months.

Clearly, we must be careful to ensure we are positioned correctly within China. Consequently, our next move aims to shift into renewable energy and the solar component of green energy. One primary example of this pivot is our recent investment with **Zhejiang HangKe Technology**, which has advanced 37.5% in July and 40.8% this year. The firm manufactures lithium battery test equipment. Further, they have widespread distribution of their battery products internationally and are very focused on reinvesting in R&D. **LONGi Green Energy Tech** (+36.2% YTD) is another new investment. The solar energy product manufacturer specializes in silicon wafers, ingots, semiconductor materials, and solar cells. A key photovoltaic manufacturer in China, they are the world's largest monocrystalline silicon wafer producer. Finally, we like the outlook of Fundholding **Shuangliang Eco-Energy Systems**, an air conditioner manufacturer that uses lithium bromide and silicon gel coolants. The company's share price has hardly cooled lately, jumping 29.2% in July (+128.5% YTD). Furthermore, they make sea water desalination equipment, and all their products are geared towards reducing waste and creating energy efficient cooling solutions.

In light of the shifting market landscape in China, we must heed Henry Kissinger's sage words recently as he urged that Americans "must simply work harder and maintain our technology lead" to compete globally. No longer do we hold preeminence simply by showing up. Our investment philosophy dovetails with Kissinger's philosophy, and we will continue to strive towards identifying promising opportunities for our investors.

Your trust and confidence is greatly appreciated.

Sincerely,

John H. Pinto