SINTRA FUND, LTD.

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

September 29, 2021

Dear Investor,

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

September commenced with the fallout of the tumultuous American withdrawal from Afghanistan and winds to a close with what appears to be a coming standoff in Washington over Fed policy and the debt ceiling. In between these bookends, President Biden's administration has faced a Haitian migrant crisis heaped on top of already mounting tensions at the border, while geopolitical drama with China simmers throughout. All told, this uncertainty and volatility affected the market as well, leading to one of the only down months in the Dow's otherwise skyward trajectory ever since the post-pandemic rebound began.

The Chinese government has maintained its tactic of surprising foreign investors with suddenly announced policy changes detrimental to equity market performance. To date, the "common prosperity" theme espoused by President Xi Jinping is not delivering any prosperity. The most recent shift relates to the Macau-based gambling casinos. Despite a 45-day consultation period, regulators called for a meeting of casino owners with such little notice that Hong Kong-based management could not even make it to the meeting—a mere hour's drive from Hong Kong and an even shorter trip via helicopter. Xi's goal is to cool off the VIP junket business and require casino owners (most of whom are foreign companies such as Sands & MGM) to have greater Chinese ownership. Moreover, the Chinese government will take an active role in reviewing each company's dividend policies. The net result is greater Chinese government supervision of the casinos. The absolute sword of Damocles over the industry is that no agreement exists to ensure that the government will permit casino licenses to be renewed. Ultimately, Xi Jinping is playing the long game; short-term equity fallout undoubtedly will occur as investors rightfully react with shock to these authoritarian measures, but in the long run the industry landscape will recalibrate around the new normal of maintaining a profitable course of business at (Emperor?) Xi Jinping's behest.

We have now witnessed several iterations of this Chinese strong-arm policy methodology. Those made to submit to Beijing's will include: the cessation of Jack Ma's ANT initial public offering; the aborted DIDI initial public offering when the government announced destructive policies to the car ride business after the IPO concluded, to the detriment of those who participated in the process;

the destruction of the after-school education business which pummeled lucrative firms such as New Oriental Education and TAL; and now, the glamourous and thriving Macau-based casino industry has rolled craps at Xi Jinping's table. The old axiom "the house always wins" certainly takes on a new meaning in the Middle Kingdom. One questions if the casino owners will succumb to the same charitable desire as Alibaba and Tencent did with their recent "contributions" to "social prosperity" of over $7 billion apiece.

Parliamentarian John Pym first gave rise to the concept of "Actions speak louder than words," voicing the adage at the time of the English Civil War. President Xi Jinping is waging his own internecine war to obtain a third term in office, demonstrating with each ensuing government action that his diplomatic words belie the power-consolidating bent of his approach. In this battle, Xi and his powerful government cadre know that foreigners have no vote! Ray Dalio, the founder of the $140 billion US hedge fund Bridgewater Associates, reported that he has spoken directly with Chinese government officials and noted, "At this stage, I'm assured that this doesn't mean foreigners and foreign investors are not welcome." Indeed, foreigners are certainly welcome, but they better be careful. Case in point, the *Financial Times* recently reported that, "Beijing's regulatory blows, targeting sectors from video games to education, have wiped more than $1 trillion of market value from Chinese equities since their recent peak in mid-February."

In directing the Fund, we are invested in the China A share market which has minimal foreign investor participation. We have long focused on companies bearing government support, and this strategy only grows in import. Thus, we have no investment in the financially distressed Chinese property development company Evergrande. In staying the course by investing in China, we continue to heed Ray Dalio's wisdom on the importance of diversification: "If you have two great powers, two developments of technologies and so on and so forth and you're looking at what percentage of your portfolio do you have here and what percentage of your portfolio there, diversification is a key element. So when I look at it, I think there are risks in the US, there are risks there we can talk about those, diversification's important and I think the fundamentals in (China) are basically sound" (CNBC; Squawk Box transcript 9/15/21). While the waters are anything but calm in the Middle Kingdom, we remain confident by sailing in the same direction as Mr. Dalio.

Despite the turmoil over the last few months in China, several Fund holdings have rewarded our commitment and remain strong investments in both the short- and long-term. **WuXi Apptec**, a Fund favorite, is a contract research organization and a leading service provider for big Chinese pharmaceutical companies. WuXi has benefitted tremendously from the Chinese government's support for domestic biotech R&D, and the rapid growth of such expenditures only brightens WuXi's horizons. The stock is up 15.4% in September and nearly 42% for the year.

Joinn Laboratories is a new holding that recently came across our radar. Similar to WuXi Apptec, Joinn is a leading contract research organization focused on pre-clinical drug safety evaluation and efficacy studies. The firm also provides clinical services during phase 1 and 2 of drug trials for some Chinese pharmaceutical companies and will benefit from R&D growth. September (+10.5%) has aided performance for the company, bringing its 2021 gains to +15.7%. **Sinopharm** (+3.5% in

September and +9.8% YTD) is another promising healthcare firm in China, buoyed by China's robust COVID-19 vaccination rollout. The company is China's largest distributor of drugs and medical devices, and recently saw its COVID vaccine receive approval. Moreover, the firm's distribution supply chain will facilitate a rapid rollout of the vaccines.

We delved deep into renewables and green energy in China last month, highlighting our emphasis on investing where China's governmental priorities seem to lie. To wit, Xi Jinping has made a point to direct copious assets towards non-fossil fuel burning energy resources. Coupling these directives with China's commitment to rapid infrastructure development, this shifting landscape bodes well for Fund-holding **Ming Yang Energy** (+15.7% this month and +37.1% YTD). The company is a leading wind turbine manufacturer in China and specializes in the offshore wind power sector. The expansion of China's power grid to incorporate wind-derived energy has propelled Ming Yang's returns so far this year.

We are maintaining our focus for the benefit of the investors in the Fund. We hope our Limited Partners all had a rewarding summer as we welcome the transition to autumn.

Your trust and confidence is greatly appreciated.

Sincerely,

John H. Pinto