**SINTRA FUND, LTD.**

**2100 S. Ocean Blvd., S204 – Palm Beach FL 33480 - Tel 212-644-0309-Fax 212-644-0320**

**e-mail:** jhpinto@sintracapital.com **www.sintracapital.com**

# Report to Shareholders of the Sintra Fund, Ltd.
# January 2022

January 28, 2022

Dear Investor,

We are pleased to provide this report for the month of January 2022. 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.

For the first time since early February 2020, the market appears headed for a genuine downturn that isn't caused by an unprecedented global virus outbreak. The market has advanced unimpeded for many months on end, undeterred by global strife, rising inflation, and the ongoing fallout from the pandemic. It remains to be seen if this is merely a correction or an actual recession, but the ingredients are there for markets to finally pull back. Nowhere has this retrenchment been clearer than in China, which has seen market turbulence and regression to the mean since last summer when Xi Jinping flexed his political muscles in the economic and geopolitical arenas. Just prior to last year's Lunar New Year, Chinese equities were soaring and approaching all-time highs. At present, they are doing neither. 2021's Year of the Ox was particularly unkind to Chinese investors (not to mention Jack Ma and Alibaba!), so we all wish for better tidings in the upcoming Year of the Tiger commencing on February 1st.

A lame Ox gives way to a potentially skittish tiger, given the Chinese A share market's particular volatility in recent months. Case in point, the most erratic stock performance in the portfolio this month is **Zhejiang Orient Gene Biotech**. The company is a diagnostic service provider with antigen reagents and kits to detect COVID-19, and its products are distributed all over China. On December 28th, it obtained the FDA's Emergency Use Authorization and began supplying the United States, further expanding the firm's business footprint (Zhejiang supplies antigen-testing reagents to the U.K. as well). Receiving the green light to supply the U.S. plus a rapid COVID-19 spike in the Middle Kingdom this month led the stock to nearly double during the first two weeks of the year. By month-end, however, the share price had retreated to slightly below its December 31 closing price! Perhaps this is the Year of the Roller Coaster in China instead.

The recent panicked sell-off of Contract Research Organizations and biotech companies in China was triggered by rumors that the U.S. government would blacklist such firms as retaliation for China threatening to de-list its leading companies from American stock exchanges. Further, the FDA is trying to fight against the more laissez-faire regulatory environment in China for drug development and approval, as the FDA's standards are much stricter. In fact, the FDA recently issued statements suggesting they will impose especially stringent standards for new drug approvals from Chinese companies. Despite this geopolitical grandstanding between the two world powers, we remain cautiously optimistic that the share price of Chinese CROs and biotech firms will rebound when the companies start to report annual earnings and give guidance for 2022 after the New Year's Festival.

The government-led absolute closure policy against covid has increased due to the scheduled Beijing Winter Olympic Games. Dovetailing perfectly with the Chinese New Year festivities, the formal Opening Ceremonies of this new Olympiad are scheduled for February 4$^{th}$. The United States is leading a diplomatic boycott of these Games to draw attention to China's human rights abuses and lack of transparency on political, medical, and economic fronts, among others. Our government representatives will not be appearing in Beijing, a symbolic gesture as foreign dignitaries (ours in particular) typically perform honorary roles at the Olympics. Moreover, several other Western countries as well as Australia and New Zealand will join the U.S. in this diplomatic boycott. Additionally, no foreign spectators will be permitted as China implements its purported zero tolerance covid policy. Domestic Chinese spectators may not even be able to attend the Games. At this juncture mere days away from what might be a second straight empty stadium Olympics in the last 6 months, only officials on the field of play and Olympic athletes are certain to be in attendance.

In January, the People's Bank of China cut its five-year loan prime rate, a benchmark for medium- and longer-term loans (including mortgages) to 4.4% from 4.65%. This is the first such rate cut since April 2020 and stands in direct contrast to the U.S., where the Federal Reserve Bank will be leading the charge for increasing interest rates. China, instead, has made two Reserve Rate cuts already to support the economy, which started slowing down after Q3 last year due to sporadic outbreaks of Covid variants and the aforementioned Zero Case measures. Furthermore, front-loaded fiscal policies for both new infrastructure projects and old ones are in place. China moving to encourage growth and easing access to capital may portend to a more profitable Year of the Tiger ahead.

The other side of this coin urges some caution ahead of the once-in-five years Communist Party meeting later this year, where Xi Jinping is widely expected to secure a third term in office. His increasingly consolidated power means that we will likely see a renewed effort by the government to crack down on corruption, disempower tech behemoths' autonomy, and further insulate the country's economy from an accumulation of hidden debt risks in local governments. Recent comments following the CCP's January plenary session support this reading of the tea leaves, as a recent *Bloomberg* piece explained that "[Xi's administration] vowed to curb the influence of technology companies and root out corruption tied to the 'disorderly' expansion of capital."

Xi Jinping's administration has proven itself equal parts exacting and comprehensive over the course of its ongoing endeavor to target political factions and special interest groups within the upper echelons of Chinese political and business spheres. Case in point, China's anti-graft body recently placed the chairman of China Life Insurance Co. under investigation for corruption. More than 20 officials have been apprehended since early October, indicating the administration truly means business. It left little doubt in an official statement following the plenary session, when a government spokesperson declared that "efforts will be made to investigate and punish corrupt behaviors behind the disorderly expansion of capital and platform monopolies and cut off the link between power and capital."

As for the Fund holdings, positive returns have been hard to come by in the early going of 2022. **Jiangsu Nhwa**, a leading manufacturer of anesthetic and central nervous system drugs, started the year hot out of the gates by advancing 3% in week one of 2022 trading. Ever since, however, it has declined 10%, although we remain confident in this company's future outlook. Ultimately, these high variance swings are all part and parcel of the erratic stock market performance in January. **Yunnan Energy New Material**, the lithium battery film producer at the forefront of supplying the burgeoning electric vehicle movement in China, is one of the few strong performers this month. Tacking on 5.7% of growth amidst market turmoil everywhere else is a very strong indicator for where this Fundholding is headed.

We also wanted to highlight two Fund-holdings that present promising opportunities for short-term advancement as revelers rejoice in the spectacle of the Lunar New Year and the Olympic spirit. Prestige liquor brand **Wuliangye Yibin** (-7.5% year-to-date) and burgeoning regional brewery **Jiangsu King's Luck** (-2.2%) have started off the new year slowly, but should be poised to bubble up to the top of the performance charts in the coming weeks. Last year, Yibin and King's Luck both enjoyed a big run-up (+19% and +13%, respectively) to the Lunar New Year during 2021's first six weeks. A similar upswing would be quite the toast to the Olympic athletes and the Fund alike.

Fundholding **WuXi AppTec** appeared virtually at the JPMorgan Healthcare conference earlier this month. The company has continued with its philosophy to "Follow the Customer/Follow the Project/Follow and Win the Molecule." Moreover, the firm does its best to develop a contract manufacturing relationship with innovative groups researching new biological advances. WuXi will provide its partners financial benefits and strive to lock up manufacturing relationships while obtaining government approvals for the molecules. Last year alone, the company added over 1,300 new customers and has more than 35,000 laboratory and operational employees in China, the U.S., Switzerland, and the U.K. Furthermore, management is setting a 38% revenue growth target this year. Certainly, the company's share price will experience some short-term turbulence due to the issues affecting CROs and Chinese biotech stocks, but we anticipate this will be short-lived. Despite the stock's 12.1% decline in January, we believe this may be one of our best performers in the long-term and recently increased the position as it's become an even better value.

Let us all hope that the Year of the Tiger commences in a much stronger fashion than its predecessor. This Ox was anything but slow and steady. We remain committed to identifying companies built to weather any storm and flourish in the long run.

Your trust and confidence is greatly appreciated.

Sincerely,

John H. Pinto