



SINTRA FUND, LTD.

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Report to Shareholders of the Sintra Fund, Ltd.

January 2023

January 31, 2023

Dear Investor,

“China Pivot from Covid Zero is probably the single most Important factor for global growth in 2023”

**Kristalina Ivanova Georgieva-Kinova
Managing director of the International Monetary Fund**

We are pleased to provide this report for the month of January 2023. The exact monthly investment performance figures will be sent to investors later in February 2023 once the results are calculated by International Fund Management Corp., the Fund’s calculation agent.

It’s most encouraging that the China A Share market re-opened on January 30th after the lengthy Lunar New Year holiday. The concern is whether the extensive travel by hundreds of millions of citizens throughout China exacerbated Covid in the population. We want the stock market (not Covid) to hop along well in the Year of the Rabbit!

In its January equity strategy, UBS reports that it expects earnings-per-share growth in the China A Share market to rise from 4% in 2022 to 15% in 2023. UBS believes the markets’ trailing price earnings ratio of 11.6x times is unjustified given rising earnings growth and excess Chinese liquidity. UBS states, “we believe investors will increasingly focus on recovery expectations, rather than near term headwinds.” It’s most interesting that the pundits are now recommending investing in China; However, the late 2022 prognosis was that the market was “uninvestable”. For example, the cover story in *Barron’s* dated January 30th is headlined “How to Invest in China Now”!

We never lost faith in China which accounts for almost a fifth of global GDP. We are in concert with UBS, which states, “the sharp de-rating in 2022 is overdone.” We have concerns, however, about China’s political leadership, as would any astute investor.

Barron’s notes, “the catalyst is clear: Policy makers in the world’s second largest economy are pulling out the stops to revive the economy and get its 1.4 billion people spending more, after three hard years of stringent, Covid restrictions and harsh crackdowns on technology and other industries. Beijing has completely reversed its zero Covid policy, has begun loosening regulations on business.... Powerful, economic, regulatory, and Covid policies are aligned in favor of stocks in the economy for the first time in some four years. Chinese gross domestic product for 2023 could grow by 5%, far outpacing growth in the US and Europe.”

The overall theme from the Central Economic Working Conference, held in Beijing at the end of 2022, was pro-growth. This led to a sudden shifting of Covid policy from zero tolerance to coexistence. The costs of “Zero-Covid”, both financial and social, have been deemed too heavy to bear. All lockdown measures have disappeared. By year-end, PCR tests were eliminated even for entering a hospital. Covid has now been downgraded to a minor infection. Outbound travel for Chinese citizens will gradually resume. China’s pivot from Zero-Covid is probably the single most important factor for global growth in 2023, and the signs of recovery are real and encouraging.

As we invest upon the recovery theme, the portfolio now includes Shanghai International Airport, China’s largest air hub, which is up 5.7% YTD. A major asset injection occurred in 2022 and the company now owns Hongqiao airport and Pudong airport, both being in Shanghai. At this point, domestic flights in China are 70% of their pre-Covid level and international flights are only at a 9% rate. With post-Covid reopening, air travel will return.

A top performer for the Fund this month was Wuliangye Yibin Co., Ltd., a leading mass market liquor company. Yibin also manufactures carbon as well as lactic acid. The company has operations in printing and packaging materials. The stock increased by 20.43% in January. At this point, senior management, key employees, and top distributors will own a greater percentage of the company.

On the same theme, Jiangsu King's Luck Brewery JSC Ltd. operates as a second-tier alcohol brand. The equity increased by 16.82% this month. The Company produces and distributes wine, liquor, and other related products, with growth being driven by more penetration into new markets and improving product mix.

Yantai Jereh Oilfield Services Group Co., Ltd., whose stock performance jumped an impressive 17.02% this past month, operates as an oilfield equipment developer and solutions provider. The Company's products include well cementing equipment, well fracturing equipment, and natural gas compression and transportation equipment. The group also conducts oilfield equipment maintenance and parts sales businesses.

We are optimistic for the rebound in China’s growth and improved equity market performance.

Your support, trust, and confidence are very much appreciated.

Sincerely,

John H. Pinto