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.
August 2019

August 29, 2019

Dear Investor,

We are pleased to provide this report for the month of August 2019. The exact monthly investment performance figures will be sent to investors later in September, once the results are calculated by International Fund Management Corp., the Fund's calculation agent.

At the recent Chinese Politburo meeting, the government stated that "downside pressure had increased" on the economy. The Politburo determined that stimulus to the property market would not be activated simply to achieve short-term results. Instead, the policy will aim to provide improved financial support to private companies. Additionally, a primary government objective will be to advance infrastructure projects, particularly the refurbishment of old residential houses in cities to increase rural consumption. Momentum already exists in this direction, as first half 2019 consumption increased 8.4% year-on-year. To implement the specifics of this policy, subsidies on energy efficient home appliances will be provided. In sum, the Politburo believes that the Chinese economic situation is under control and no further stimuli will be promulgated until required.

Equity-holding **Shenzhen Goodix Technology** proved to be the most impressive arrow in the Fund's quiver in August. The Chinese fingerprint solutions provider advanced 26.1% this month and 170.9% year-to-date. It is the world leader in its industry with a $93bn market cap, a robust 60% market share, and the company even supplies Huawei (notably featured on President Trump's "blacklist"). Goodix's products include capacitive touch-screen controllers utilized for smart phones, personal computers, and touch-screen control devices. The touch key chips are also used in household appliances. Further, fingerprint recognition/identification chips are important to the Goodix product line.

Fund holding **Wuliangye Yibin** ranks first in terms of baijiu (Chinese liquor) market share and has helped stock the Fund's cabinet with strong returns all year. Advancing 10.9% in August and 163.2% year-to-date, the company has a $520bn market cap. Given the summer season, the Fund has gone a bit heavier on the spirits of late, investing in **Anhui Kouzi Distillery**. The Chinese wine and liquor producer (market cap $39bn) rose 9.4% in August while delivering +89.1% this year.

The travel agency business of Fund-holding **China International Travel Service** (market cap $185bn) has been terminated. Streamlining the business in this fashion has focused investors on the company's monopoly position in duty-free shops. Furthermore, the firm will be making a sizable investment in a commercial/tourism complex in Haikou City, the capital of Hainan province. The bottom line for the company advanced 30% for the first half of 2019, propelling the stock upwards 5% in August and 57.6% year-to-date.

We are continuing to maintain a focus on the Chinese healthcare sector. **Lepu Medical** (market cap $48bn), which specializes in cardiovascular medical equipment, announced bottom line profitability increased 45% year-on-year. Not surprisingly, the market has rewarded the company with 28.8% price appreciation year-to-date and +8.1% in August. **Shenzhen Mindray Medical** (market cap $221bn), a medical device supplier with exposure to invitro diagnostics and medical imaging services, is doing well this year. The company is global in scope as 40% of its revenue comes from exporting equipment to more than 190 countries. Mindray has advanced 66.6% this year as it successfully competes with General Electric Co. and Siemens AG. Having government support for indigenous medical appliance manufacturers is a good way to increase business in China.

Given the geopolitical turmoil in the region, the Fund has been reducing its exposure to the Taiwanese market. The 22% return this year for the portfolio allocation to the country disguises the problems Taiwan will face in the buildup to January's potentially seismic presidential election. Moreover, Taiwanese President Tsai Ing-wen recently visited the US to secure a $2.2 billion arms deal, which included the acquisition of battle tanks. Naturally, Beijing was infuriated and suspended individual travel permits to Taiwan effective at the beginning of the month. Of course, China has done this in the past as it does not wish for its populace to see the democratic election process play out. Tsai, who is not favored by Beijing, is benefiting from the Hong Kong protests. Such outpourings of democracy do not help her opposition KMT candidate Han Kuo-yu—a markedly pro-China politician. In order to combat the travel ban from mainland China, President Tsai's government will now provide travel subsidies for local people. This could be a terrific policy for President Trump in the aftermath of maligning a country and its leadership. Imagine if he could then pay off the American people to overlook the fact!

On the other side of the coin, certain Taiwanese investments remain profitable in the wake of these protracted Trump/tariff trade hostilities. Case in point, blacklisting of certain Chinese companies creates an opportunity for Taiwanese firms to produce substitutes for US electronics components. For example, **Faraday Technology Corp**., the developer of silicon IP and applicator of specific microchips, expects earnings growth to exceed 80% this year as it fills the voids created by trade war strife. The stock is up 31.2% year-to-date, excelling because the trade dispute has incentivized China to aggressively develop its own upstream semiconductor industry. In the long run, American suppliers will be the losers. **Chailease Holding Company**, Taiwan's dominant leasing company, is also benefiting from the tariff blacklist issue (+28.7% year-to-date). The company's business in mainland China continues to flourish due to the challenging credit environment for the Middle Kingdom's small-and medium-based enterprises.

Global markets are experiencing higher volatility as a result of trade and economic uncertainties, currency movements, and social unrest. A speedy resolution to these issues appears unlikely. We are maintaining our focus on market-leading companies with the financial bulwark and economic scale to withstand the turbulence. Further, our strategy will be geared towards investing in companies set to profit from the trade war as the blacklist steers business in newfound directions. At month-end, China espoused a tone of de-escalation, a welcome development amidst the trade conflicts. We remain cautiously optimistic that this is the beginning of a trend towards calmer relations between the two superpowers. Hopefully, both sides will adopt this more conciliatory tone and usher in a climate of greater market stability.

We have been advised that Fund Director, Ms. Valeria Ferrero, must withdraw effective at month-end. A Peruvian/Chinese consortium recently took over Ms. Ferrero's current employer in Peru, and regrettably the new management will not permit any employees to hold outside directorships. To fill the void, we anticipate that Augusto Ferrero, a rising Peruvian investor with a keen business acumen, will be appointed as a Director of the Fund.

Your trust and confidence is most appreciated.

Sincerely,

John H. Pinto