



SINTRA FUND, LTD.

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Report to Shareholders of the Sintra Fund, Ltd.

January 2021

January 27, 2021

Dear Investor,

We are pleased to provide this report for the month of January 2021. 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.

The past month has been a transformative one across the globe. Whenever the calendar flips to a new year, it ushers in optimism and a more forward-looking viewpoint about what the ensuing 12 months may bring. Resolutions are made, holiday decorations come down, and annual letters are penned. January prognostications often serve as guideposts for the annum to come, but seldom align closely with what actually comes to pass. Never has this been truer than in 2020. The pandemic put the global economy in a straitjacket, set political theaters ablaze, brought tragedy and hardship into nearly every home, and functionally reconfigured how humans in the developed world go about their daily lives in a fashion unseen since World War II.

As the first of what will hopefully be a more promising 12 months of 2021 comes to a close, we turn our focus to the silver linings currently shining light on the darkness left behind by 2020. First and foremost, the United States underwent a transition of power in presidential leadership. Regardless of one's political affiliations, one would hope that a less volatile figurehead atop the political pedestal of the world's biggest superpower will bring balance to the force in a manner that smooths our global exit from this pandemic. While this may be wishful thinking, the market remains undaunted by President Trump's ouster and has continued its ascent into the stratosphere. Secondly (and far more importantly), the coronavirus vaccine is beginning to reach widespread distribution. By the time of our next correspondence, more than a third of Americans will be vaccinated. Undoubtedly, this augurs well for the back half of 2021 to experience a period of revitalization and recovery.

Narrowing the focus to the Fund and its holdings, the progress made over the past year in the Middle Kingdom is more than a silver lining. Rather, China appears poised for global supremacy in the coming years. Case in point, the *Wall Street Journal* last week noted that, "China overtook the U.S. as the world's top destination for new foreign direct investment last year, as the pandemic amplifie[d] an eastward shift in the center of gravity of the global economy...the

pandemic...cemented [China's] position as the world's factory floor and expanded its share of global trade." Paraphrasing the infamous quote by former Chicago mayor Rahm Emanuel about benefitting during times of crisis, China never let a good pandemic go to waste.

Unsurprisingly, President Xi projects a confident Communist Party in its Centennial year. Chinese stocks have been rapidly advancing after the world's second largest economy enjoyed its best quarter of year-over-year growth in two years. The Chinese National Bureau of Statistics announced that China's gross domestic product rose 6.5% in the fourth quarter from a year earlier. This supports the view that China's economic recovery stands to benefit from a global rebound in the coming months.

According to Bloomberg, China's healthcare sector is expected to grow by 27% in 2021 and 25% in 2022. This is of particular interest to the Fund given our bevy of irons in the proverbial Chinese biotech fire. Furthermore, the government re-iterated an emphasis going forward on both the standard of care in hospitals as well as the level of healthcare digitization. The goal will be to make healthcare accessible, affordable, and high-quality, all while keeping the subsidizing spigots open to offer sustained support for the development of biotechnology and health R&D.

Naturally, we would expect China to continue to enhance its healthcare infrastructure after the demands placed on the existing systems during the initial corona outbreak. This would include additional hospital beds, patient monitors, live support equipment, and data integration. The growth should expand to telemedicine and online pharmacy availability in additional provinces. In December 2020, China's national healthcare security administration released a communiqué recognizing the positive impact of health tech during the pandemic and provided recommendations to organize and expand the hybridization of "internet and medical services."

These developments should benefit numerous Fund holdings. Namely, WuXi AppTec stands to gain tremendously. The company provides pharma companies with end-to-end R&D solutions from molecule discovery to commercialization, while also aiding in drug manufacturing. They are a classic "picks and shovels" play from the Peter Lynch blueprint. The stock has already risen nearly 35% in less than a month of 2021 and has been one of our favorite holdings for a while.

We have discussed Daqo New Energy several times in this space before, but the Chinese solar energy titan and Fundholding warrants additional mention. Not only has the stock risen faster than the sun at 6 in the morning (+125% since the beginning of December), but also its photovoltaic products are poised to become a primary target of the Chinese government. During December's UN climate ambition summit, President Xi Jinping committed to bring total solar and wind capacity to 1200 GW by 2030 from the current approximate level of 455GW capacity. This promise translates into China initiating an average of 70-80 GW of new solar and wind installations per year over the course of this decade. Solar and wind are the favorites in the race toward renewables. Moreover, R&D and technological improvements have permitted cost to approach grid-parity with fossil fuels. Donna de Varona memorialized the motto "Win from the front" after she won two Olympic gold medals in swimming, and it appears China is embracing a similar tactic with

renewables. Xi Jinping is betting on the importance of taking the lead on solar from the very outset and maintaining it vis a vis his G8 peers. We shall see whether the Biden Administration is able to follow suit.

Several other Fund-holdings are channeling Donna's motto for our portfolio as well. For example, Zai Labs (+27.6% in 2021) presented mid-month at the annual JPMorgan health care conference. Company founder Samantha Du, who earned her chops in the United States as a top Pfizer corporation researcher/executive, reviewed Zai's extensive pipeline. The primary focus of the company is on gastric cancer, a malady that has become a leading cause of death in China with 680,000 new cases annually. A recent study on this disease in China found that 40% of all new gastric cancer cases in the world stem from China, a figure 28 times higher than in the United States. Lack of proper storage and cleanliness of fruits and vegetables is a likely culprit, as are the failures of healthcare pipelines into rural areas and the lack of early detection/treatment awareness for cancer in China compared to other developed Western countries. The Chinese Journal of Cancer Research recently concluded that, "Great effort is needed not only to improve public awareness and promote early detection of stomach cancer but also to provide more accessible health services, sufficient financial resources, and adequate cancer-care infrastructure for the Chinese population, especially for people living in rural areas."

Given the magnitude of this health issue in China, Zai Labs and its drug pipeline have Samantha Du's company perfectly positioned to take on this challenge. To wit, Zai Labs has global rights to seven compounds for gastric and lung cancers as well as especially important franchises in 10 disease areas in the autoimmune sector. Zai believes it will have commercial executions and regional government reimbursements for its drugs in 2021. Furthermore, Du's presentation demonstrated a clear sense of urgency to expand the firm's footprint in China and press onward for global excellence. "Zai" means "once again to the top of the mountain," and uncoincidentally the company aims to become a leading global biopharma company by 2023. Indubitably, Samantha Du has left base camp and is marching Zai to the summit.

Fund holding BeiGene also appeared at the JPM health conference having advanced 40% this month. Chairman John Oyler exclaimed that biomedical research is currently a "once-in-a-lifetime opportunity." We have been closely following Mr. Oyler's exploits since attending a virtual meeting with him last summer. He arrived at the conference having just concluded a \$650 million payment from Novartis for the first stage of a drug collaboration. Further, BeiGene has clinical research facilities in numerous countries and 1,600 teams working at "speed and scale" on 60 clinical trials in 35 geographies. The company does not contract out research as it has a philosophy of "own and optimize." Oyler explained that the cost savings of doing clinical research in China are 10% to 70% less than what it would cost in the USA.

The company delivered 5 successful drug launches in 4 years. By the end of 2021, it has ambitious goals to launch 12 products. Oyler believes that global reach is key. BeiGene owns its own manufacturing and has 23 offices in 14 countries. We are pleased that the Fund is doing so well with this impactful oncology company.

At year end, the Chinese national healthcare security administration announced the results of its 2020 NRDL negotiations and published the national reimbursement drug list. The price cuts for innovative drugs were less than the market anticipated, but nevertheless the government appears focused upon supporting innovation.

Warmest regards and best wishes as we embark on a new year.

Sincerely,

John H. Pinto