

Fund Manager's Report

For the month of December, shares gained 2.9% to \$116.63, outperforming the PSEi which grew by 1.3%. Since the Fund's inception, shares have gained 1%, outperforming the PSEi which lost 14.6% for the same period.

It was both an eventful and tough year for both the domestic and global market. After starting the year strong and even reaching an all-time high of 9,058.62, the PSEi subsequently tumbled and closed at 7,466.02, marking its worst annual performance since 2008 at -12.8%. Inflation was a consistent concern throughout the year as consumer prices soared to a 9-year high of 6.7% in September driven by the effects of TRAIN law, rising oil prices and local rice supply shortage. The BSP moved to raise its policy rates 5 times this year for a total of 175 basis points. Since then, inflation has eased to 5.1% in December as food and oil prices normalized. Externally, rising yields and the US-China trade war added to investor concerns, which prompted net foreign selling for 10 months of the year, resulting in a net outflow of \$1.1 bn in 2018.

In spite of these testing conditions, we are pleased to say that our portfolio performed well and ended the year with a return of +1%. One of our holdings is part of a consortium that was announced to be the sole qualified bidder to develop and modernize the Clark International airport, which would, in effect double terminal capacity and create a premier gateway for the region. We are excited about another one of our companies involved in the cement industry that posted outstanding despite poor performance of its industry peers and has further plans of doubling capacity within the next two years. We see a lot of potential in its fundamentals, as well as its integral role in the administration's Build Build Build program's focus on infrastructure. In addition, while the SEC's 2018 plan to increase the minimum public free float to 15% for listed companies did not materialize due to unfavorable market conditions, it is only a matter of time before it is revisited. As a result, some of our holdings will have to raise their float. This impending inclusion in the investable universe of larger funds should attract investor interest and bring favorable results to their stock valuations.

Looking forward to 2019, while we believe that uncertainty will persist in the short term given government policies and geopolitics, we are optimistic about the Philippine economy and expect the market to rebound due to positive indicators. Receding inflation, more stable commodity prices, and mid-term 2019 election spending may boost domestic revenue growth. However, we remain wary of headwinds such as higher excise taxes on tobacco and alcoholic beverage products. While GDP growth is projected to be slower than the 7-8% target of the government in the coming year, inflation will likely be less of a mounting concern as the BSP forecasts it to decelerate to 3.2% and 3.0% in 2019 and 2020, respectively. Government's ambitious push on infrastructure projects and rehabilitation (which rose 83% YoY) should continue to drive economic growth and job creation for several more years. Outside, the US government shutdown and mounting pressures on the trade war pose uncertainty on the local environment in the near term.

If there's one thing we can say that we learned from this challenging year, it's that difficult conditions motivate us to improve our craft. This bear market has heightened not only how much we hate to lose, but how it can be exciting as well. While we remain confident anchoring on fundamentally solid businesses, we remember that through introspection and evaluation we are able to find ways to improve, what to take advantage of, what weaknesses have been exposed that need to be shored up, and finally, what worked. Win or lose, the process is exactly the same. There are answers in these trying times if you only just look, and we intend to use what we have learned this year going into 2019.

With that, we would like to wish you a Happy New Year!

Performance MBG Equity Investment Fund, Inc. (MBG EIFI), net of all fees (in PHP)

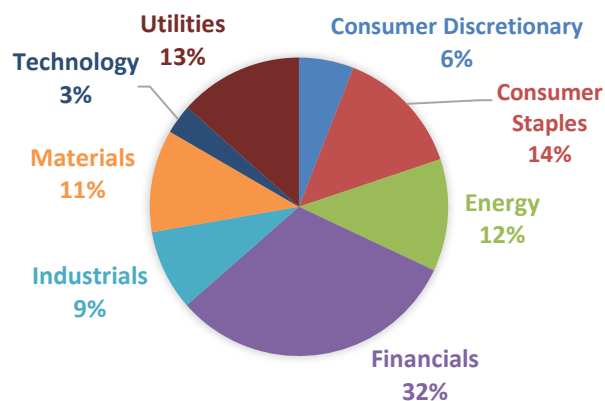
2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.3%	-2.9%	-1.1%	-0.7%	-1.9%	-4.2%	0.4%	8.0%	-0.6%	-5.5%	3.1%	2.9%	1.0%
PSEi ¹	0.2%	-3.3%	-5.9%	-2.0%	-4.1%	-4.1%	6.7%	2.4%	-7.4%	-1.9%	3.2%	1.3%	-14.6%

¹ Philippine Stock Exchange Index (PCOMP Index);

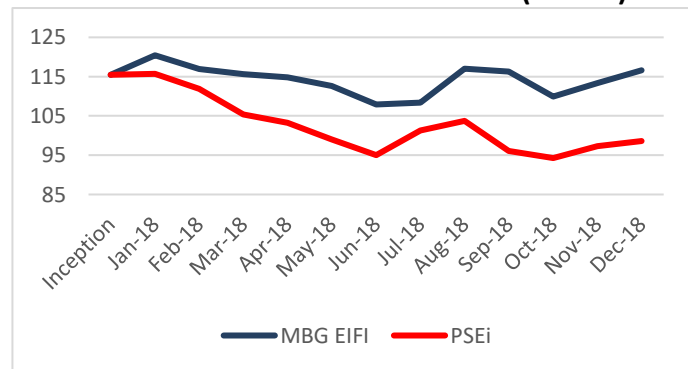
Portfolio Characteristics

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.4%
Correlation to PSEi	0.37	1.0
Beta	0.22	1.0
Stock holdings	93.9%	100.0%
Large cap (> \$3bln)	14.4%	88.5%
Mid cap (\$500mln to \$3bln)	63.9%	11.5%
Small cap (< \$500mln)	21.6%	Nil
Philippines allocation	81.6%	100.0%
Vietnam allocation	18.4%	Nil

Sector Allocation



MBG EIFI Performance vs. Benchmark (in PHP)



*Rescaled to 115.46 on 8 January 2018 (NAV of fund at inception date)

Class A Fund Statistics, since inception (08Jan18)

(net of all fees)	MBG EIFI	PSEi
Year-to-date	1.0%	-14.6%
3 months	0.3%	2.6%
6 months	8.1%	3.8%
1 year	0.0%	0.0%
Inception (cumulative)	1.0%	-14.6%
Inception (annualized)	1.0%	-14.9%
Months with gains	41.7%	41.7%
Volatility of returns p.a.	n.a.	n.a.
1-mo Sharpe ratio (RFR 6%)	0.59	0.16

Fund Information

Inception	January 8, 2018
Management fee	2%
Performance fee	10% with High Water Mark
Minimum subscription	PHP 100,000
Dealing	Daily
Subscription notice	5 business days
Redemption notice	7 calendar days
Lock-up period and penalty	1 year; 5% penalty
Fund AUM	PHP 158 million
FATCA categorization/ GIIN	Registered deemed-compliant foreign financial institution under Model 1 IGA/ 6XW2RW.99999.SL.608
Investment manager	MBG Investment Management, Inc. (Licensed Investment Company Adviser) SEC C.R. No. 01-2017-00284
Custodian	Deutsche Bank AG
Auditor	SGV & Co. (Ernst & Young Ltd)
Legal advisors	Mata-Perez & Francisco
Stock Transfer Agent	BDO Unibank
Fund Manager	Joseph Alvin C. Tan MBG Equity Investment Fund, Inc. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 956 7254 Fax: +63 2 956 7065