

Fund Manager's Report

For the month of February, shares declined 2.9% to 116.89, outperforming the PSEi (-3.3%). Nevertheless, since the Fund's inception, shares have gained 1.1%, beating the PSEi which lost 3.1% for the same period. Overall, the market was rattled by increasing bond yields (+90-100bps for >10 years) and a weakening peso (-4.4% YTD vs. USD). Furthermore, inflation expectations in the Philippines had also started rising due to the implementation of the Philippine tax reform, aka TRAIN. Foreigners were net sellers during the month, with net outflows of \$296mln, bringing YTD net outflows to \$250mln.

We are seeing some weakness in our Vietnam portfolio, particularly our steel companies. Recently, the US Department of Commerce announced a steel and aluminum tariff, which would impact global steel supply and demand dynamics. It appears that the US department of Commerce is targeting Chinese steel products, and that the tariffs would lead to China dumping their steel inventory elsewhere. We believe Vietnam would be partially insulated from these, however, as their government has tariffs of their own against Chinese steel. However, a trade war has started between the US and China, and this could potentially hurt other sectors as well. We believe that Vietnam can capitalize on these events as US manufacturing companies can move to Vietnam and away from China. We view this event as an opportunity to increase our Vietnam exposure.

For our Philippine portfolio, things are looking better. We've heard that Purefoods mega deal has firmed up and they will tap BDO, BPI, JP Morgan, Morgan Stanley, and UBS to do the offering. As for the timeline, it was announced during the Purefoods investor briefing that they'll do the offering in 3rd quarter of this year. On the other hand, our cement company has been doing exceptionally well; they are now at around 75% of profits for the big 4 companies as of the latest quarterly results. Market value of our cement company has yet to catch up, but we are happy that intrinsic value has greatly improved. Meanwhile, our power company has secured a contract with Meralco on one of their existing plants. Previously, this plant had been a drag on their numbers. We are now expecting a turnaround and a significant improvement on their financial performance moving forward.

Over the next few months, we expect volatility in the markets as interest rates rise, trade wars escalate, and the issue on the spy poisoning in the UK contribute to negative sentiment towards global markets. Warren Buffet once said, "Be greedy when markets are fearful..." We promise to be greedy, when the time comes.

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

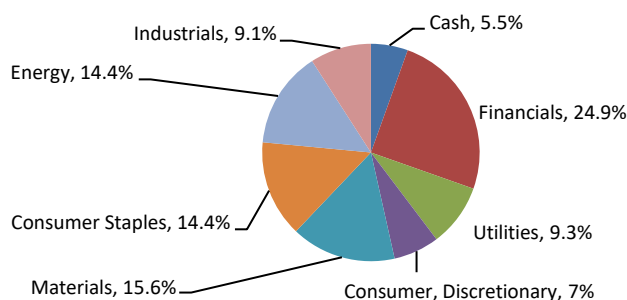
2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.1%	-2.9%											1.1%
PSEi ¹	0.2%	-3.3%											-3.1%

¹ Philippine Stock Exchange Index (PCOMP Index);

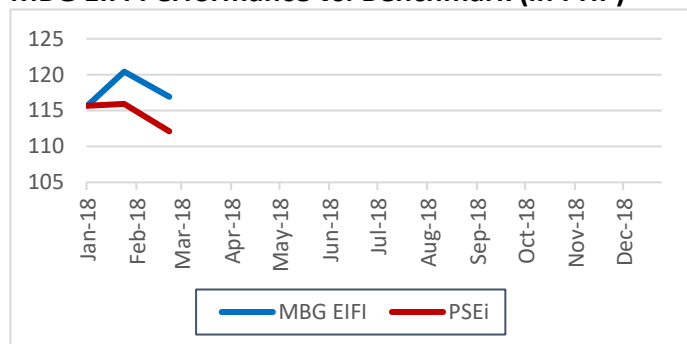
Portfolio Characteristics

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.3%	+/- 2.2%
Correlation to PSEi	0.3	1.0
Beta	0.4	1.0
Stock holdings	94.5%	100.0%
Large cap (> \$3bln)	0.0%	94.0%
Mid cap (\$500mln to \$3bln)	77.5%	4.8%
Small cap (< \$500mln)	22.5%	Nil
Philippines allocation	73.3%	100.0%
Vietnam allocation	21.2%	Nil

Sector Allocation



MBG EIFI Performance vs. Benchmark (in PHP)



*Rescaled to 115.68 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	1.1%	-3.1%
3 months	n.a	n.a
6 months	n.a	n.a
1 year	n.a	n.a
Inception (cumulative)	1.1%	-3.1%
Inception (annualized)	n.a	n.a
Months with gains	50%	50%
Volatility of returns p.a.	n.a	n.a
1-mo Sharpe ratio (RFR 4%)	-1.09	-0.82

Historical Performance of MBG EIFI, net of all fees

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PSEi	0.2%	-3.3%											-3.1%

¹ Inception date 8 January 2018, beginning NAV of Php115.68/share

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 148 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