

Fund Manager’s Report

For the month of January, shares gained 4.0% to 121.26, underperforming the PSEi which grew by 7.3%. Since the Fund’s inception, shares have gained 5.0%, outperforming the PSEi which lost 8.4% for the same period.

On the domestic front, the year started off on a good note. Risks seem to be showing signs of improvement. Inflation, which was a cause for concern to investors last year, eased to a 10-month low of 4.4% in January, as price increases of food, fuel and tobacco continued to slow down. In its meeting last February 7, BSP kept policy rates unchanged and even lowered its forecasted inflation for 2019 to 3.1%. In effect, the improved economic outlook has helped boost investor sentiment. During the first month alone, foreign investors have brought in a net flow of \$356 mn, which accounts for a 33% recovery of the total net outflow in 2018. The Peso, which experienced a 5.6% drop in 2018, has appreciated by 0.7% on the back of the stronger foreign flows and a more dovish US Fed. Externally, the unresolved trade war and tightening of global financial conditions remain to be major risks. We’re keeping track of it.

We’re looking forward to seeing our companies take advantage of the expected boost in consumer activity, especially with the upcoming Philippine mid-term election this year. We hold investments in analyst favored industries. Beer, fuel, cement, to name a few. Cement is expected to be in high demand as several projects of the Build, Build, Build program are scheduled to begin. In addition, a few of our companies have plans to increase their public free float in order to comply with the PSE’s required minimum of 15%. We’re hopeful that this will have a favorable impact on their stock price to the effect of a rerating.

This is also a special month for us, as we celebrate the fund’s first anniversary. In line with this, we are delighted to show growth in the key metrics (see table below) we showed in our first newsletter last year. We started 2018 with P/B and P/E ratios less than half of PSEi’s, showing how undervalued and cheap our holdings are. Today, our P/B and P/E ratios are still less than half of PSEi’s and have both declined despite a 0.7% increase in our NAV, implying that our portfolio’s book value and earnings have increased. On the other hand, PSEi’s P/B and P/E ratios have also gone down but mainly due to a 8.6% price decline, indicating a much slower growth in book value and earnings compared to our portfolio.

	2017		2018	
	MBG EIFI	PSEi	MBG EIFI	PSEi
P/B Ratio	1.1x	2.5x	1.0x	2.2x
P/E Ratio	10.1x	23.2x	9.3x	20.4x
1 year return			0.7%	-8.6%

Overall, it has been a terrific first year for us. The results we’ve seen have shown that our strategy is working. To quote Mr. Buffett, “it is not necessary to do extraordinary things to get extraordinary results. We do things differently, we rarely trade. We don’t use complicated methodologies to optimize the portfolio, and

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we avoid over-diversification, active trading, and following the index. What we do, is look at companies with good growth prospects and buy them cheap. From there it's just a matter of waiting for people to see the value that we see.

We'd like to wish you a happy and prosperous Lunar New Year!

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

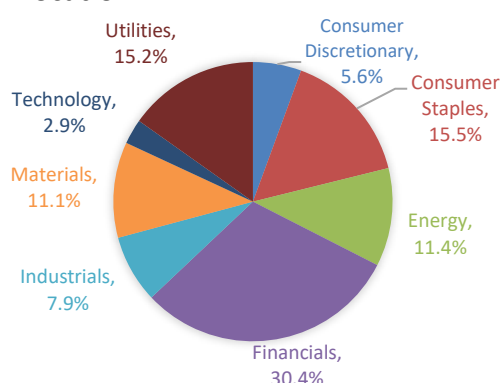
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.0%												4.0%
PSEi ¹	7.3%												7.3%

¹ Philippine Stock Exchange Index (PCOMP Index);

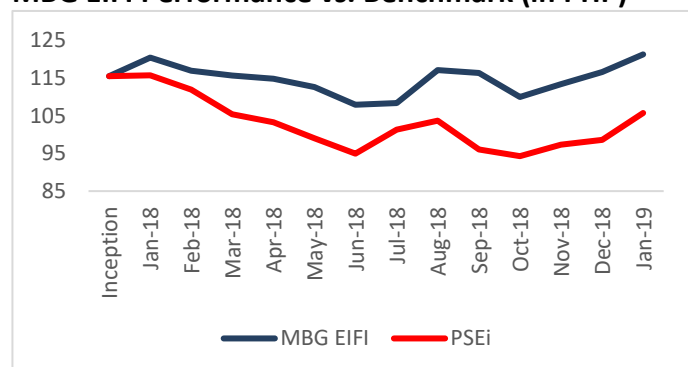
Portfolio Characteristics

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.5%
Correlation to PSEi	0.34	1.0
Beta	0.20	1.0
Stock holdings	92.7%	100.0%
Large cap (> \$3bln)	16.0%	89.9%
Mid cap (\$500mln to \$3bln)	62.9%	10.1%
Small cap (< \$500mln)	21.1%	Nil
Philippines allocation	83.1%	100.0%
Vietnam allocation	16.9%	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	4.0%	7.3%
3 months	10.3%	12.1%
6 months	11.9%	4.4%
1 year	0.7%	-8.6%
Inception (cumulative)	5.0%	-8.4%
Inception (annualized)	4.7%	-8.0%
Months with gains	46.2%	46.2%
Volatility of returns p.a.	10.5%	17.6%
1-mo Sharpe ratio (RFR 6%)	1.45	1.43

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 167 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