

Fund Manager's Report

For the month of June, shares declined 4.2% to 107.91, in line with PSEi (-4.1%). Since the Fund's inception, shares have lost 6.5%, beating the PSEi which lost 17.7% for the same period. The market continued its downtrend for 5 consecutive months, losing 20.6% since its high in January. Moreover, foreigners were net sellers during the month, with net outflows of \$252mln to bring YTD net outflows to \$1.22bln.

Peter Lynch once said, *"Remember, things are never clear until it's too late"*. Investing today may be unclear because of the fear of losing more money, but now is also the time to buy when some companies are being sold down irrationally. One theme that we like is clean energy. We believe the coal era is over, and that the new game in town is liquefied natural gas (LNG). We are slowly seeing this shift everywhere; countries like China and India are cancelling coal projects at record pace and embracing LNG plants. The Philippines' exposure to gas is around 16%, while its exposure to coal is roughly 35%. It is worth noting, however, that majority of capacity expansions in the coming years will be coal plants. Will these new coal plants live up to expectations?

One of our stock positions is First Philippine Holdings (FPH), a company with significant exposure in power generation. Last month, the group bagged a baseload supply agreement with Meralco—the largest electricity distributor in the country—for its LNG plant. The contract price is at par but may be cheaper by 30% from other coal companies, signaling that LNG plants can compete with coal as baseload plants. Note that this hasn't been the case over the last five years. The Department of Energy (DOE) released a report entitled *"The Economic Benefits of Switching to the Use of Natural Gas"* last May 2018 which is consistent with our theme. The Asian Development Bank, an adviser to the Philippine LNG Project, stated that the Philippines is well-positioned to become a regional hub for LNG. Despite the bright future, the stock is still being sold down irrationally amid speculations that it will be removed from indexes. We, for sure, will take advantage.

Our Vietnam portfolio continues to take a hit with the VN Index down 25% since its April high, despite foreign inflows of \$1.08bn from April to June, the disconnect here lies in foreign ownership limits. A lot of the companies have 0% foreign room, which leads to dual pricing on many issues. Foreign shares are valued higher than domestically owned shares because of scarcity. As a result, a lot of over-the-counter (OTC) trades take place. Particularly frequent are foreign-to-foreign deals, which are executed at a premium (up to 30%) relative to current share price. Due to this market feature, marking securities to market may be misleading.

On a final note, we quote Peter Lynch: *"People who succeed in the stock market also accept periodic losses, setbacks, and unexpected occurrences. Calamitous drops do not scare them out of the game"*. In order to win the game, you have to stay in the game. Stay invested.

MBG Equity Investment Fund, Inc.

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

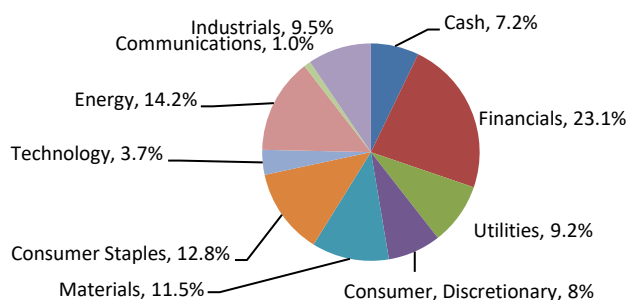
2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.1%	-2.9%	-1.1%	-0.7%	-1.9%	-4.2%							-6.5%
PSEi ¹	0.2%	-3.3%	-5.9%	-2.0%	-4.1%	-4.1%							-17.7%

¹ Philippine Stock Exchange Index (PCOMP Index);

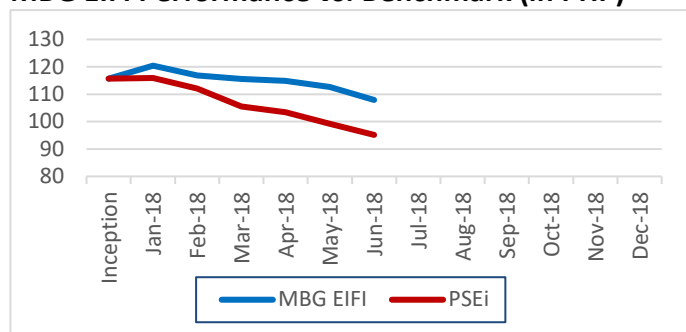
Portfolio Characteristics

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.1%	+/- 2.7%
Correlation to PSEi	0.3	1.0
Beta	0.2	1.0
Stock holdings	92.8%	100.0%
Large cap (> \$3bln)	0.0%	85.7%
Mid cap (\$500mln to \$3bln)	76.3%	13.1%
Small cap (< \$500mln)	23.7%	Nil
Philippines allocation	70.9%	100.0%
Vietnam allocation	21.9%	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	-6.5%	-17.7%
3 months	-6.7%	-9.9%
6 months	n.a	n.a
1 year	n.a	n.a
Inception (cumulative)	-6.5%	-17.7%
Inception (annualized)	n.a	n.a
Months with gains	16.7%	16.7%
Volatility of returns p.a.	n.a	n.a
1-mo Sharpe ratio (RFR 4%)	-1.48	-0.83

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