

### Fund Manager's Report

For the month of May, shares declined 1.9% to 112.64, outperforming the PSEi (-4.1%). Since the Fund's inception, shares have lost 2.44%, beating the PSEi which lost 14.27% for the same period. The market continued its downtrend since peaking in January 29 at 9,058.62—falling 17.2% from this high as of the end of May. Moreover, foreigners were net sellers during the month, with net outflows of \$175mIn to bring YTD net outflows to \$956mIn.

"Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1." (Warren Buffet). Regardless of our performance looking good relative to the PSEi, a loss is a loss and simply *beating* the benchmark doesn't make us happy. However, there are signs that things are about to get better. May inflation was 4.6%, but behind consensus of 4.9%. Bond yields have gone down to 6.07% from a peak of 6.32% in May 23. Moreover, the central bank finally raised rates by 25 basis points after seeing inflation creep up to 4.5% in April. Currently, consensus estimate is that inflation has peaked and will likely stay at this level for the rest of the year before tapering to below 4.0% next year. Meanwhile, Brent oil price benchmark is down 3% since peaking in May 23. Lastly, the peso strengthened a bit to 52.54 since peaking at 52.71 in May 25. All this could point to a recovery in the stock market anytime soon.

Our oil company in the Philippines, reported net income of 5.7bn for 1Q2018, a new record for the company. Their previous record was 5.5bn back in 1Q17. This signifies that 5bn quarterly profits is not a blip and we might see this more often in the quarters to come. A simple annualized number suggests at least 20bn profits, while sporting a market capitalization of only 85bn. Last year, they made 12.7bn—implying that a 57% net income growth for the year may be in the horizon.

Our Vietnam portfolio continued to take a hit. The Vietnam Ho Chi Minh Index is down another 6.4% for the month. Our construction company saw its lowest gross margin while steel prices was on a 7-year high. Nevertheless, we believe that margins will eventually normalize. The Vice Chairman of the company registered to buy 2m shares (or about 2.2% of outstanding shares) for his own account, quadrupling his current exposure.

Overall, things are looking better for our portfolio. Inflation growth is slowing down, and worldwide bond yields are declining. A recovery should be in the horizon.

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

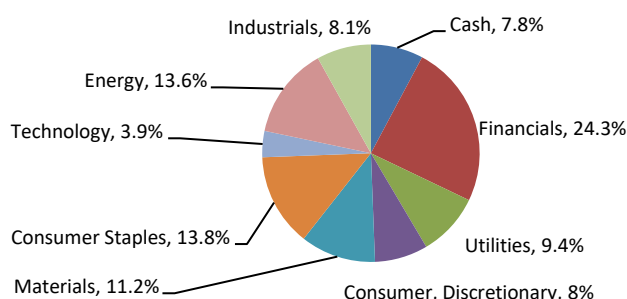
2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.1%	-2.9%	-1.1%	-0.7%	-1.9%								-2.4%
PSEi <sup>1</sup>	0.2%	-3.3%	-5.9%	-2.0%	-4.1%								-14.3%

<sup>1</sup> Philippine Stock Exchange Index (PCOMP Index);

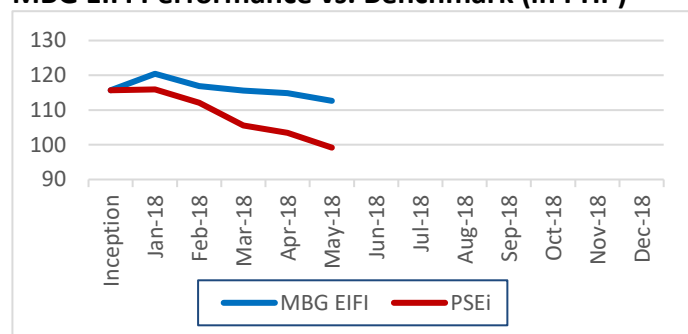
**Portfolio Characteristics**

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.1%	+/- 2.5%
Correlation to PSEi	0.3	1.0
Beta	0.3	1.0
Stock holdings	92.2%	100.0%
Large cap (> \$3bln)	0.0%	84.7%
Mid cap (\$500mln to \$3bln)	78.4%	14.0%
Small cap (< \$500mln)	21.6%	Nil
Philippines allocation	71.4%	100.0%
Vietnam allocation	20.8%	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	-2.4%	-14.3%
3 months	-3.7%	-11.5%
6 months	n.a	n.a
1 year	n.a	n.a
Inception (cumulative)	-2.4%	-14.3%
Inception (annualized)	n.a	n.a
Months with gains	20%	20%
Volatility of returns p.a.	n.a.	n.a.
1-mo Sharpe ratio (RFR 4%)	-1.05	-0.85

**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. <a href="mailto:info@mbgfunds.com">info@mbgfunds.com</a> <a href="http://www.mbgfunds.com">www.mbgfunds.com</a> Tel: +63 2 956 7254 Fax: +63 2 956 7065