

### Fund Manager's Report

For the month of September, shares lost -0.6% to 116.31, still outperforming the PSEi (-7.4%). Since the Fund's inception, shares have gained 0.7%, beating the PSEi which lost 16.8% for the same period. The market closed lower, losing 7.4% over the period. The market continued to weaken, with foreigners still net sellers for another -\$212 million, as concerns to the peso, rising inflation, and rising PH and US interest rates affected market outlook and sentiment.

Inflation remains a subject of close review, foreign investors have lost confidence in our stock market, and have been pulling out, further weighing down the market. We believe that the primary concern is the seemingly uncontrolled inflation, leading to a massive depreciation of the PHP currency. The numbers speak for itself. Headline inflation reached a 9 year high of 6.7% for September. However, calling into mind a quote by Timothy Geithner, that "Every financial crisis, is a crisis of confidence", we remain optimistic in the government's ability to manage inflation. Core inflation declined to 4.7%, from 4.8% in August, lower than the 5% peak for 2018, which is an indication that inflation is not as bad as it looks. The drivers for headline inflation, food and gas items, are already seeing some declines, given government policy action which means inflation might be topping out very soon. We expect this to restore the dampening consumer confidence in our government, and the Bangko Sentral ng Pilipinas.

We have a holding company with strong growth in all sectors, and solid expansion plans. One of its key subsidiaries in the real estate industry grew revenues, on our estimates, by 233% to ₱4.2 billion, in the 1H of 2018. This has led to a 45% net income growth in the 1H18 for the whole company. The stock is still trading at a very low and attractive valuation (P/E is less than half the average of its peers) due to low liquidity and almost no analyst coverage. We are expecting a catalyst in the form of a follow-on offering as early as next year.

Success in the stock market accepts periodic losses in volatile markets and unexpected occurrences. On that note, we remain confident in our portfolio based on their strategies to withstand the current bear market, moving forward. Stay invested.

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

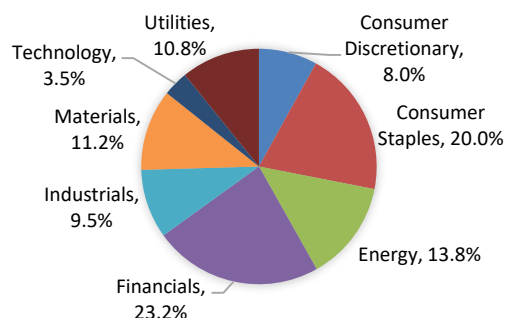
2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.3%	-2.9%	-1.1%	-0.7%	-1.9%	-4.2%	0.4%	8.0%	-0.6%				0.7%
PSEi <sup>1</sup>	0.2%	-3.3%	-5.9%	-2.0%	-4.1%	-4.1%	6.7%	2.4%	-7.4%				-16.8%

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

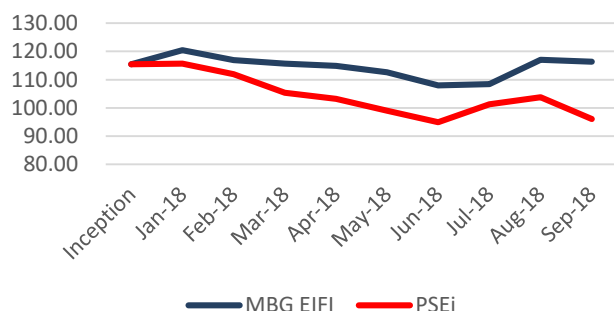
**Portfolio Characteristics**

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.6%	+/- 3.2%
Correlation to PSEi	0.32	1.0
Beta	0.26	1.0
Stock holdings	94.1%	100.0%
Large cap (> \$3bln)	20.7%	85.9%
Mid cap (\$500mln to \$3bln)	57.2%	14.1%
Small cap (< \$500mln)	22.2%	Nil
Philippines allocation	78.4%	100.0%
Vietnam allocation	21.6%	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	0.7%	-16.8%
3 months	7.8%	1.2%
6 months	0.6%	-8.8%
1 year	n.a	n.a
Inception (cumulative)	0.7%	-16.8%
Inception (annualized)	1.0%	-22.4%
Months with gains	33.3%	33.3%
Volatility of returns p.a.	n.a.	n.a.
1-mo Sharpe ratio (RFR 6%)	-0.34	-1.46

**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