

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 12-1 REGISTRATION STATEMENT UNDER THE SECURITIES REGULATION CODE

1. **SEC Identification Number CS201603378**
2. **MBG EQUITY INVESTMENT FUND, INC.**  
Exact name of registrant as specified in its charter
3. **Metro Manila, Philippines**  
Province, country or other jurisdiction of incorporation or organization
4. **009-231-032-000**  
BIR Tax Identification Number
5. **Open-end Investment Company**  
General character of business of registrant
6. **Industry Classification Code:**  **(SEC Use Only)**
7. **G/F 110 Legazpi Street, Legaspi Village, Makati City, 1229, Philippines**  
**Telephone Number: +63 2 956 7254; Fax Number: +63 2 956 7065**  
Address, including postal code, telephone number, FAX number including area code, of registrant's principal offices
8. **Not Applicable**  
If registrant is not resident in the Philippines, or its principal business is outside the Philippines, state name and address including postal code, telephone number and FAX number, including area code, and email address of resident agent in the Philippines.
9. **December 31**  
Fiscal Year Ending Date (Month and Day)

### Computation of Registration Fee

Title of each class of securities to be registered	Amount to be registered	Proposed offering price per unit	Proposed aggregate offering price	Amount of registration fee
Common shares	4,401,600	Php100.00 per share	Php440,160,000.00	Php440,160.00
			Add: Legal research fee	4,401.60
			Total	Php444,561.60

## **MBG Equity Investment Fund, Inc.**

G/F 110 Legazpi Street, Legaspi Village, Makati City 1229, Philippines

Telephone Number: +63 2 956 7254; Fax Number: +63 2 956 7065

### **PROSPECTUS**

## **4,401,600 Shares COMMON STOCK**

The number of securities to be offered, inclusive of what has already been subscribed up January 31, 2017 is Four Million Four Hundred One Thousand Six Hundred (4,401,600) shares with a par value of One Peso (Php1.00) per share. One Million One Hundred Thousand Four Hundred (1,100,400) shares have been subscribed and paid up at incorporation as seed capital at a subscription price of One Hundred Pesos (Php100.00) per share. The shares to be offered, which are common and voting, are unlisted and will be traded through the over-the-counter market. The net asset value of MBG Equity Investments, Inc. as of August 31, 2016 is One Hundred and <sup>01</sup>/<sub>100</sub> Pesos (Php100.01).

### **MBG INVESTMENT MANAGEMENT, INC.**

INVESTMENT MANAGER, PRINCIPAL DISTRIBUTOR AND ADMINISTRATOR

**This Prospectus is dated**

**January 31, 2017**

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**SHARES OF MBG EQUITY INVESTMENTS, INC. ARE NOT DEPOSITS OR OBLIGATIONS OF, OR GUARANTEED OR ENDORSED BY, ANY FINANCIAL INSTITUTION, AND ARE NOT INSURED BY THE PHILIPPINE DEPOSIT INSURANCE CORPORATION. SHARES OF THE FUND BEAR INVESTMENT RISK. PAST INVESTMENT PERFORMANCE IS NOT A GUARANTEE OF FUTURE RETURNS.**

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**This prospectus sets forth concisely relevant information about the MBG Equity Investment Fund, Inc. that the investor must be aware of before investing. The investor should read this prospectus carefully and retain it for future reference.**

**OUTSIDE FRONT COVER PAGE**

The Issuer is a domestic corporation, incorporated on February 18, 2016 as MBG Equity Investment Fund, Inc. (the "MBG EIFI" or the "Fund"). The principal business office address of the Fund is at 110 Legazpi Street, Legaspi Village, Makati City, 1229, Philippines, with telephone number +63 2 956 7254. The MBG EIFI has a total authorized capital of Four Million Four Hundred One Thousand Six Hundred (4,401,600) with a par value of One Peso (Php1.00) per share. Of the amount, a total of Three Million Three Hundred One Thousand Two Hundred (3,301,200) shares are being offered. In compliance with the requirements of the Corporation Code and Investment Company Act and the rules governing such Act, the MBG EIFI's incorporators subscribed to One Million One Hundred Thousand Four Hundred (1,100,400) shares of the Fund and fully paid One Hundred Ten Million Forty Thousand Pesos (Php110,040,000) at the subscription price of One Hundred Pesos (Php100.00) per share.

The estimated gross proceeds to be raised by the Fund is Four Hundred Forty Million One Hundred Ninety-Three Thousand Twelve Pesos (Php440,193,012), assuming the unsubscribed shares are sold at the net asset value per share of the Fund as of August 31, 2016 of One Hundred and <sup>01</sup>/<sub>100</sub> Pesos (Php100.01). The estimated net proceeds to be raised by the Fund is Four Hundred Thirty-Nine Million One Hundred Fifty-Five Thousand One Hundred Forty Four Pesos (Php439,155,144), after the cost of incorporating, registering and initial distribution of the shares of the Fund, amounting to One Million Thirty Seven Thousand Eight Hundred Sixty Eight Pesos (Php1,037,868) is deducted.

The estimated net proceeds shall be invested according to the investment objective of the Fund. Full details are given in the section on Use of Proceeds on page 17.

The Fund is designed for investors with an high risk tolerance seeking aggressive returns through a professionally managed investment vehicle (i.e. Aggressive Investment Category).

The investment objective of the Fund, which is considered to be of high risk, is to achieve long term capital growth through an actively managed portfolio of primarily Philippine listed equities.

The Fund aims to achieve its investment objective by investing in a concentrated portfolio of businesses; mainly, but not exclusively, mid- and large-capitalization listed companies. It will target those companies that the Investment Manager believes are best positioned to create value by capitalizing on long-term economic growth trends. The Investment Manager will adopt a fundamental, bottom-up stock selection approach, driven by independent research, when developing long-term investment strategies. The Fund's investment horizon will typically be three years.

The Fund will invest in a wide array of securities including, without limitation, common and preferred equities, listed warrants and debt instruments. The Fund may trade in futures and derivative instruments for the purpose of enhancing returns or hedging risk exposures, if allowed by the Commission. The fund may also invest in foreign securities, in any currency, including equities listed in foreign stock markets.

The proceeds derived by the Fund from the sale of its shares including the payments for original subscriptions during incorporation shall be deposited and held by the Fund's Custodian Bank, Deutsche Bank AG, Manila Branch as required by Article IV (4.3) of the Rules and Regulations Governing Investment Companies under Republic Act 2629.

The MBG Investment Management, Inc. (the "MBG IMI") is the Investment Manager, Principal Distributor and Administrator. The MBG IMI is a corporation wholly owned by MBG Capital, Inc., a corporation domiciled in the Philippines. The fees payable to the MBG IMI as investment manager, principal distributor and administrator is a Management Fee of two percent (2%) per annum of the average NAV of the Fund and an annual Performance Fee of ten percent (10%) of gains above the High Water Mark per share of the Fund. MBG IMI shall likewise be paid an Administration Fee equivalent to <sup>25</sup>/<sub>100</sub> percent (0.25%) per annum based on the NAV of the Fund. Fees shall be computed and deemed to accrue on a daily basis.

MBG IMI shall also earn sales fees based on the schedule below:

Investment Size	Sales Fee
Below Php500,000	5%
Php500,000 to Php1,000,000	3%
Greater than Php1,000,000	1%

The above sales fees shall be charged on top of each investment, with the fees subject to VAT. Full details of the sales fees are provided in the section on Plan of Distribution on page 18. MBG IMI shall appoint SEC Certified Investment Solicitors to distribute for sale the shares of the Fund.

The Fund shall pay or reimburse MBG IMI for all costs and expenses associated with the Fund's operations and with regard to its establishment, organizational and offering expenses.

Finally, the redemption fees to be charged investors, based on prevailing market value, are as follows:

<b>Holding Period</b>	<b>Redemption Fee</b>
Up to one (1) year	5%
Beyond one (1) year	Nil

The Net Asset Value ("NAV") is determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the NAV of each share of the Fund.

The Board of Directors of the Fund is authorized to determine the amount to be reserved or provided for declaration and payment of dividends from the Fund's unrestricted retained earnings. The amount of such dividends (whether in cash, stock, property or a combination thereof) shall be dependent on but not limited to the Fund's profits, cash flows, capital expenditure, and financial condition. Surplus and unrestricted net earnings are needed before dividends can be declared. These surplus and unrestricted net earnings must, in turn come from the net income for a year based on audited financial statements less unrealized income items, which are considered not available for dividend declaration. Whenever circumstances permit, the Fund shall declare total dividends (whether in cash, stock, property or a combination thereof) of not less than one-half percent (0.50%) of its surplus and unrestricted earnings, less unrealized income items, for a given fiscal year. Full details are provided under the sections Description of Securities and Cash Dividends, pages 20 and 23.

No dealer, selling agent or any other person has been authorized to give information or make any representation not contained in this Prospectus. This Prospectus does not constitute an offer to sell or a solicitation of an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction or to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction. The delivery of this Prospectus at any time does not imply that the information herein contained is correct as of any time subsequent to this date. The information contained in this Prospectus has been supplied by the MBG EIFI unless otherwise stated. The MBG EIFI accepts full responsibility for the accuracy of the information given herein, and confirms that there are no omissions of fact that would make any statement in this Prospectus misleading. The MBG IMI has exerted reasonable efforts to verify the information herein and does not make any representations or warranties as to the accuracy or completeness of the materials contained herein.

The MBG Equity Investment Fund, Inc. (the "MBG EIFI" or the "Fund") was organized as a stock corporation on February 18, 2016 under SEC Registration No. CS201603378. It is a diversified, open-end investment company. The Fund is offering for sale Four Million Four Hundred One Thousand Six Hundred (4,401,600) common shares of stock, inclusive of those already subscribed for during the Fund's registration. Each share of stock of the Fund is common and voting stock. A summary of the Fund's audited interim financial statements is given as follows: (Details on the Fund's business and financial data are in the sections Description of Business and Financial Information, pages 21 and 35).

<b><i>Balance Sheet (as of August 31, 2016)</i></b>	
Total Assets	Php110,117,508
Total Liability	63,592
Total Equity	110,053,916
<b><i>Income Statement (for period February 18 to August 31, 2016)</i></b>	
Investment Income	Php1,346,136
Expenses	994,676
Total Comprehensive Income	13,916

**NAVPS = Php100.01**

**PLEASE READ THIS PROSPECTUS CAREFULLY BEFORE INVESTING**

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## INDEX TO EXHIBITS

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3. Stock and Transfer Agency Agreement
4. Copy of Articles and By-laws of MBG Equity Investment Fund, Inc.
5. Copy of Articles and By-laws of MBG Investment Management, Inc.
6. Bank Custodianship Agreement
7. Opinion Re: Legality
8. Sample Copies of Investment Application Form, Redemption Request Form and Stock Certificates
9. Notarized curriculum vitae of directors and officers of the Fund and the Fund Manager
10. Certification under oath by the President and Chairman re: Involvement of the Board and Management in Companies the Fund will be dealing with
11. Continuing authorization to examine bank accounts
12. Certificate of Bank Deposit
13. Board Resolution approving the securities offering and authorizing the filing of the registration statement
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15. Secretary's Certificate re: Good Corporate Governance Manual, Anti-Money Laundering Manual, Independent Directors and Fit and Proper Rule
16. Sworn undertaking re: Compliance with Investment Company Act regarding registration of the Fund

## RISK DISCLOSURE STATEMENT

### GENERAL RISK WARNING

**Market Risk.** The price of securities that the Fund will invest in will fluctuate on a daily basis. These fluctuations can be a result of a wide variety of reasons such as but not limited to changes in: 1) earnings prospects; 2) interest rates; 3) currencies; 4) senior management; 5) production processes; and 6) capitalization, market reach and coverage of the companies that the Fund invests in. All these price fluctuations of underlying securities will be reflected in the net asset value per share (NAVPS) of the Fund. Past performance is not a guide to future performance.

**Liquidity Risk.** There are two types of liquidity risk that the Fund may face. One is the possible absence of buyers for the equity investments that it wants to sell. To manage this risk, the Fund will invest in adequately liquid stocks and securities. The other type of risk is the potential absence of liquid funds with which to service redemptions. The Fund shall submit a liquidity contingency plan to the SEC before it implements a decreased investment of less than 10% in liquid/semi-liquid assets.

**Dilution and Price Risks in Investing in the Fund Itself.** Investing in a mutual fund is also open to dilution and liquidity constraints. By law, investors in mutual funds waive their pre-emptive rights to share offerings because mutual funds are offered on a continuing basis. An investor faces the risk that his percentage holding in the Fund might be diluted as other investors subscribe to Fund's shares. Regulation requires mutual funds to put up at least five percent (5%) of their net assets in liquid securities to service redemptions.

There could likewise be instances where redemption prices of shares redeemed by the Fund may be less than the prices at which the shares were originally purchased. Investors who have their shares redeemed by the Fund during this time may not recover the full cost of their investment.

**Regulatory Risk.** The Fund's operations are subject to regulations affecting a range of areas from the valuation of the Fund's securities in particular to income taxation in general. These regulations change and, when they do, can potentially produce a negative impact on the Fund's earnings and valuation.

### PRUDENCE REQUIRED

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/she may request information on the securities and issuer thereof from the Commission which are available to the public.

### PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risks involved in trading of securities specially those high-risk securities.

**The full details on the risks of investing are provided in the section on Risk Factors on page 16.**



## GLOSSARY

The following words or expressions used in this Prospectus, unless the context otherwise requires, shall have the following corresponding meanings:

<b>the MBG IMI or Investment Manager or Principal Distributor or Administrator</b>	MBG Investment Management, Inc.
<b>the MBG EIFI or the Issuer or the Fund or the Registrant</b>	MBG Equity Investment Fund, Inc.
<b>BSP</b>	Bangko Sentral ng Pilipinas
<b>Business Day</b>	A day wherein the Philippine Stock Exchange is open for business.
<b>Commodities</b>	Goods, wares, and any merchandise of any kind; articles of trade or commerce; or articles of merchandise movable in trade.
<b>Custodian Bank</b>	Deutsche Bank AG, Manila Branch
<b>Gross NAV</b>	The Net Asset Value before deduction for any accrued Performance Fees and any distributions payable in respect of the relevant Calculation Period
<b>High Water Mark</b>	The greater of (i) the subscription price of the relevant shares and (ii) the highest previous Net Asset Value of the shares at the end of any previous fiscal year.
<b>Investment Application Form</b>	The form to be used by the Principal Distributor and its sub-distributors for investors to purchase the shares of stock of the Fund in accordance with the terms and conditions of the Fund as described in this Prospectus.
<b>Investment Company</b>	A company that is an issuer of securities and which company is or holds itself out as being engaged primarily or proposes to engage primarily in the business of investing, reinvesting or trading in securities.
<b>Investor</b>	Any person, association, or corporation with the intention of investing in the shares of the Fund.
<b>NAV</b>	Net Asset Value
<b>NAVPS</b>	Net Asset Value per Share
<b>Open-end Investment Company</b>	An investment company, which is offering for sale or has outstanding any redeemable security of which it is the issuer.
<b>Php or Pesos</b>	Philippine Pesos, lawful currency of the Philippines
<b>PSE</b>	Philippine Stock Exchange
<b>PSEi</b>	Philippine Stock Exchange Composite Index
<b>R.A. 2629</b>	Republic Act No. 2629 or the Investment Company Act of 1960
<b>Redemption Fee</b>	The fee, computed on investment cost that is charged stockholders for having their investments redeemed within specified retention periods.
<b>Sales Fee</b>	The fee, computed on investment cost that is charged stockholders for the purchase of the Fund's shares.
<b>SEC</b>	Securities and Exchange Commission
<b>Shareholder or Stockholder</b>	Any natural or juridical person who has subscribed to the shares of the Fund.
<b>Stock Transfer Agent</b>	BDO Unibank, Inc.
<b>VAT</b>	Value Added Tax

## EXECUTIVE SUMMARY

*The following summary is qualified in its entirety by the detailed information appearing elsewhere in this Prospectus.*

### **Issuer**

MBG Equity Investment Fund, Inc.

### **Investment Objective**

The Fund is designed for investors with an high risk tolerance seeking aggressive returns through a professionally managed investment vehicle (i.e. Aggressive Investment Category).

The investment objective of the Fund, which is considered to be of high risk, is to achieve long term capital growth through an actively managed portfolio of primarily Philippine listed equities.

The Fund aims to achieve its investment objective by investing in a concentrated portfolio of businesses; mainly, but not exclusively, mid and large capitalization listed companies. It will target those companies that the Investment Manager believes are best positioned to create value by capitalizing on long-term economic growth trends. The Investment Manager will adopt a fundamental, bottom-up stock selection approach, driven by independent research, when developing long-term investment strategies. The Fund's investment horizon will typically be three years.

The Fund will invest in a wide array of securities including, without limitation, common and preferred equities, listed warrants and debt instruments. The Fund may trade in futures and derivative instruments for the purpose of enhancing returns or hedging risk exposures, if allowed by the Commission. The fund may also invest in foreign securities, in any currency, including equities listed in foreign stock markets.

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED IS TRUE AND CURRENT.**

**Evelyn R. Singson**

President

## ACKNOWLEDGEMENT

**SUBSCRIBED AND SWORN** to before me this day \_\_\_\_\_, at Makati City, affiant exhibiting to me her Passport No. EC0402389 issued in DFA Manila on 25-Feb-14.

Notary Public

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 20\_\_\_\_.

## PROSPECTUS PROPER

### Fund Features

Issuer	MBG Equity Investment Fund, Inc.								
Type of Issue	Open-end Investment Company								
Shares Offered	4,401,600 common stock								
Par Value	One Peso (Php1.00) per shares								
Base Currency	Philippine Peso (Php)								
Offering Price	The daily subscription price shall be based on the NAV per share as of the close of the business day, if payment is made within the daily cut-off time, less any accrued but unpaid Performance Fee and as adjusted in accordance with the Fund's accounting policies.								
Sales Fee	<p>The fee and applicable VAT, computed on investment cost that is charged investors for the purchase of the Fund's shares. All sales fees and VAT on the sales fees shall be based on and charged on top of investment amounts unless otherwise specified by MBG IMI and provided that the minimum initial investment of Php100,000 is met.</p> <p>Sales fees shall be applied according to the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Investment Size</th> <th>Sales Fee</th> </tr> </thead> <tbody> <tr> <td>Below Php500,000</td> <td>5%</td> </tr> <tr> <td>Php500,000 to Php1,000,000</td> <td>3%</td> </tr> <tr> <td>Greater than Php1,000,000</td> <td>1%</td> </tr> </tbody> </table>	Investment Size	Sales Fee	Below Php500,000	5%	Php500,000 to Php1,000,000	3%	Greater than Php1,000,000	1%
Investment Size	Sales Fee								
Below Php500,000	5%								
Php500,000 to Php1,000,000	3%								
Greater than Php1,000,000	1%								
Daily Cut-Off Time	12 noon on any business day								
Minimum Investment	The minimum initial investment is One Hundred Thousand Pesos (Php100,000.00). Subsequent investments shall be for a minimum of Ten Thousand Pesos (Php10,000.00)								
Redemption Price	The redemption price shall be based on the NAV per share less any accrued Performance Fee and as adjusted in accordance with the Fund's accounting policies. The redemption price of securities surrendered for redemption within the daily cut-off time shall be computed at the end of the business day, while those surrendered after the daily cut-off time shall be deemed to have been received on the next business day and will be processed accordingly. Payment shall be made no later than seven (7) business days from receipt of redemption request.								
Redemption Fee	<p>The redemption fee, plus applicable VAT, is computed on prevailing market value and is deducted from the redemption proceeds.</p> <p>The redemption fee is based on the following schedule:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Holding Period</th> <th>Redemption Fee</th> </tr> </thead> <tbody> <tr> <td>Up to one (1) year</td> <td>5%</td> </tr> <tr> <td>Beyond one (1) year</td> <td>Nil</td> </tr> </tbody> </table>	Holding Period	Redemption Fee	Up to one (1) year	5%	Beyond one (1) year	Nil		
Holding Period	Redemption Fee								
Up to one (1) year	5%								
Beyond one (1) year	Nil								
Valuation Method	The Fund shall apply the mark-to-market method pursuant to PAS No. 39 in valuing its security holdings. Mark-to-market valuation requires that investment portfolios are valued at their theoretical liquidation values based on the latest available market prices. The fund administrator shall calculate the Fund's net asset value (NAV) on a daily basis. The Fund is valued as at the close of business of the last to close of the financial markets in which the Fund invests, or at such time chosen by the fund administrator (Valuation Point) on each Valuation Day, being (unless otherwise determined by the fund administrator).								
Voting Rights	All shares issued by the Fund are common and voting, with voting rights equal to every other outstanding share of stock								

Automatic Reinvestment of Dividends	Investors have the option to allow any cash dividends declared and paid out by the Fund to be automatically reinvested in the Fund
Minimum Holding Period	The minimum holding period is used to determine the applicable redemption fee and is measured from day of investment to the day of redemption of the shares by the Fund.
Restriction on the Issue and Transfer of shares	No issuance or transfer of stock of the Fund, which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations, shall be caused or allowed to be recorded in the books of the Fund.
Pre-emptive rights	By law, investors in mutual funds waive their pre-emptive rights to share offerings because mutual funds are offered on a continuing basis
Issuance of Stock Certificate	Each stockholder of the Fund is entitled to receive, upon formal request made, a stock certificate representing ownership of the shares of the Fund.

### **Investment Objective**

The Fund is designed for investors with an high risk tolerance seeking aggressive returns through a professionally managed investment vehicle (i.e. Aggressive Investment Category).

The investment objective of the Fund, which is considered to be of high risk, is to achieve long term capital growth through an actively managed portfolio of primarily Philippine listed equities.

The Fund aims to achieve its investment objective by investing in a concentrated portfolio of businesses; mainly, but not exclusively, mid and large capitalization listed companies. It will target those companies that the Investment Manager believes are best positioned to create value by capitalizing on long-term economic growth trends. The Investment Manager will adopt a fundamental, bottom-up stock selection approach, driven by independent research, when developing long-term investment strategies. The Fund's investment horizon will typically be three years.

The Fund will invest in a wide array of securities including, without limitation, common and preferred equities, listed warrants and debt instruments. The Fund may trade in futures and derivative instruments for the purpose of enhancing returns or hedging risk exposures, if allowed by the Commission. The fund may also invest in foreign securities, in any currency, including equities listed in foreign stock markets. The Investment Manager shall select foreign securities in accordance with the guidelines set by the SEC in Memorandum Circular No. 7, series of 2005, Circular No. 10, series of 2006 and other regulatory guidelines that may be promulgated from time to time.

The Investment Manager's fundamental research will focus on identifying companies where long-term profitability and/or growth prospects are believed to have been misunderstood or overlooked by the market. To achieve this, the Investment Manager will search for companies that it believes have the prospect of achieving high and sustainable long-term returns. This research is undertaken through company visits to companies identified through a combination of internal screening and reviews of brokers' research. High importance is attached to the extent to which senior management's economic interests are aligned with those of shareholders.

The Investment Manager anticipates that, where it is successful in identifying such an opportunity, long-term earnings growth will eventually force a reassessment of the company's prospects and that this will be reflected in the company's underlying share price. However, such a revaluation may take time to occur, and as a result the Fund expects to make investments with a long-term time horizon.

The Fund also aims to participate in selected initial public offerings ("IPO") coming to the market.

While the Fund will typically be fully invested, with cash forming less than 15% of the portfolio, the Investment Manager will have discretion to raise cash to significantly higher levels when it is the Investment Manager's opinion that market conditions make such caution desirable.

## Investment Restrictions

For liquidity purposes, unless otherwise prescribed by the SEC, at least five percent (5%) of the NAV of the Fund shall be invested in liquid/semi-liquid assets such as:

- a. treasury notes or bills, BSP Certificates of Indebtedness, which are short-term in tenor and other evidences of short-term indebtedness or obligations, the servicing of and repayment of which are fully guaranteed by the Republic of the Philippines; or
- b. savings or time deposits with government-owned banks or commercial banks, provided that in no case shall any such savings or time deposit accounts be accepted or allowed under a "bearer", a "numbered" account, or other similar arrangement.

However:

1. The maximum investment of the Fund in any single enterprise shall not exceed an amount equivalent to fifteen percent (15%) of the Fund's NAV except obligations of the Philippine Government or its instrumentalities, and in no case shall the total investment of the Fund exceed ten percent (10%) of the outstanding securities of any one investee company;
2. Until the SEC shall provide otherwise, the Fund shall not sell securities short or invest in any of the following:
  - a. Margin purchase of securities (investments in partially paid shares excluded)
  - b. Commodity futures contracts;
  - c. Precious metals; and
  - d. Unlimited liability investments.
3. The Fund shall not incur any debt or borrowing unless at the time it is incurred or immediately thereafter, there is an asset coverage of at least three hundred percent (300%) for all its borrowings. In the event that such asset coverage shall at any time fall below 300%, the Fund shall within three (3) days thereafter, reduce the amount of borrowings to an extent that the asset coverage of such borrowings shall be at least 300%;
4. The Fund shall not participate in an underwriting or selling group in connection with the public distribution of securities, except for its own capital stock;
5. The Fund shall not invest in real estate properties and developments;
6. The Fund shall not invest in any company for the purpose of exercising control or management;
7. The Fund shall not invest in the securities of other investment companies;
8. The Fund shall not purchase from or sell to any of its officers or directors or the officers or directors of its investment adviser/s, manager or distributor/s or firm/s of which any of them are members, any security other than the capital stock of the Fund;
9. The total operational expenses of the Fund shall not exceed ten percent (10%) of its average investment fund or net worth as shown in the previous year's audited financial statements;
10. The Fund shall maintain a diversified portfolio of equity and/or debt securities, focusing on industries and enterprises with strong growth potentials or profitable historical financial performance. There may be concentration on certain industries at various points in time, depending on the overall condition of the financial and capital markets;
11. The Fund shall not engage in lending operations without prior approval of the Board of Directors. Such approval shall be limited only to corporations or other entities, public or private, determined to be financially sound;
12. The Fund anticipates a gradual turnover in portfolio with the aim of the appreciation of capital;
13. The Fund shall not issue senior securities; and
14. The Fund may not change its investment objective without prior approval of a majority of its stockholders.

## **Subscription Procedure**

An Investment Application Form and signature cards must be submitted together with the appropriate payment. Once submitted, the Investment Application may not be cancelled in full or in part.

For Investment Applications processed online, investors shall be required to enroll in the Investment Manager's online investor portal and designate their settlement bank account. Investors shall complete the necessary subscription forms online and signify their agreement to the Fund's terms and conditions, including satisfaction of its anti-money laundering policy. Payments for online subscriptions may be made electronically through accredited banks of the Fund.

Once accepted, Investment Applications shall constitute an agreement between the Investor and MBG IMI, in the manner and subject to the conditions set forth in this Prospectus and the Investment Application Form.

## **Eligible Investors**

The shares of the Fund may be purchased and held by any person of legal age or duly organized and existing corporations, partnerships or corporate entities regardless of nationality. The Investor shall declare and warrant that there are no legal restrictions prohibiting the purchase of the shares applied for and that the Investor is otherwise eligible throughout the duration of the period that the Investor remains a stockholder of the Fund.

Purchase of the shares of the Fund may be restricted by law in certain jurisdictions. Foreign investors interested in subscribing to the shares should get information on the applicable legal requirements under the laws and regulations of the countries of their nationality, residence or domicile and as to any relevant tax or foreign exchange control laws and regulations affecting them personally.

## **Requirements for Corporate Applicants**

For investors other than individuals, the following documents, in addition to the Investment Application Form and the signature cards, must be accomplished and shall be considered integral parts thereof:

1. Copy of the Investor's SEC Certificate of Registration, Articles of Incorporation and By-Laws;
2. Notarized corporate secretary's certificate setting forth the resolutions of the Investor's Board of Directors or equivalent body:
  - a. Authorizing the purchase of a specified Peso amount worth of shares of the Fund; and
  - b. Designating the signatories for the purpose.

## **Minimum Investment**

The minimum initial investment is One Hundred Thousand Pesos (Php100,000.00). Subsequent investments shall be for a minimum of Ten Thousand Pesos (Php10,000.00). All sales shall be on cash basis and installment sales are expressly prohibited.

## **Offering Price**

The shares of the Fund will be offered on a continuous basis at the subscription NAVPS computed in accordance with the Fund's accounting policies at the end of the business day, if payment is made within the daily cut-off time, plus the applicable sales fee and VAT on the sales fee.

The business day cut-off time for the reckoning of the date of submission of the subscription application shall be 12:00 noon. If the application is received on or before the said cut-off time, the shares shall be

valued based on the subscription NAVPS computed at the end of the same business day. For applications received after the cut-off time, they shall be deemed to have been received on the next business day. In both instances, an applicable sales fee and VAT on the sales fee shall be charged on top of the investment amount. The subscription NAVPS shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding.

The sales fees applicable for the various levels of investments are as follows:

<b>Investment Size</b>	<b>Sales Fee</b>
Below Php500,000	5%
Php500,000 to Php1,000,000	3%
Greater than Php1,000,000	1%

Subscriptions must be paid in full upon submission of the application for subscription.

### **Acceptance of Investment Applications**

Applications for the number of shares and the applicable NAV are subject to acceptance and approval by the Principal Distributor. The Principal Distributor reserves the right to reject, scale-down and reallocate any application for the shares for whatever reason. Applications for which check payments are dishonored upon first presentment, as well as those which do not comply with the requirements set in this Prospectus and Investment Application Form, shall be rejected.

The Principal Distributor shall inform the Investor of such reduction or rejection within three (3) business days after submission of the investment application.

All investment applications shall be covered by the rules and regulations of the Anti-Money Laundering Act. The MBG EIFI likewise commits to comply with the same Act.

### **Payment Terms**

Subscriptions shall be paid in full upon submission of a duly accomplished and executed Investment Application Form. Payments must be made in Philippine Pesos in the form of cash or wire transfer. Remittance charges incidental to any investment shall be shouldered by the investor. In the case of direct deposit of an investment to the Fund's bank account, a copy of the deposit slip together with the Investment Application Form shall be delivered to the Principal Distributor's office, initially by fax or email on the day of deposit, and eventually in hard and original copies. The duly validated bank deposit slip and the original of the New Investment Form will serve as the Investor's temporary record of payment. Upon acceptance of the Investment Application by the Principal Distributor, a Confirmation Receipt will be issued to confirm the purchase of the shares of the Fund and serve as the Investor's Official Receipt.

### **Refunds**

Refunds of payments for any rejected or scaled-down applications shall be made without interest by the Principal Distributor not later than seven (7) business days after submission. The respective Investor may either pick up the refund or have the same credited to his bank account, upon written instruction, with the same account name as his investment in the MBG EIFI and provided that all credit and/or remittance charges shall be borne by the said Investor.

### **Delivery of Stock Certificates**

Each stockholder of the Fund is entitled to receive a stock certificate representing ownership of the shares of the Fund. However, an Investor has an option not to request for stock certificates because the legal requirements for replacing lost certificates entail costly and lengthy procedures. Nevertheless, if an Investor still wants to receive a stock certificate, he must indicate so in the Investment Application

Form. Stock certificates shall be made available to the Investor within forty five (45) calendar days from the date of request at the office of the Transfer Agent. Any certificate that remains unclaimed for a period of thirty (30) days after notice has been sent to the Investor on the availability of the said certificate shall be mailed to the address specified in the Investment Application Form at the risk of the Investor. The procedures set forth by the Corporation Code of the Philippines shall be followed on the application for replacement of lost, stolen or destroyed stock certificates. The investor shall reimburse the MBG EIFI for all expenses incurred for the replacement of his/her stock certificate/s.

## **Redemption of Shares**

The holder of any shares of stock of the Fund, upon its presentation to the Fund in its principal office or to any of its duly authorized representatives of the confirmation receipt or stock certificate, and upon filing of the redemption request form, is entitled to receive by way of redemption approximately his proportionate share of the Fund's current net assets or the cash equivalent thereof, i.e. the redemption NAVPS, subject to the existing laws and By-laws of the Fund. A valid I.D. must be presented to claim the check proceeds of the redemption. Proceeds of redemption requests may either be picked up by the investor at the main office of the Fund or be credited to his bank account, upon written instruction, with the same account name as his investment in the Fund and provided that all credit and/or remittance charges shall be borne by the said Investor.

For securities surrendered for redemption before the business day cut-off time of 12:00 noon, the price at which the Fund's securities may be redeemed, shall be the redemption NAVPS computed at the end of the business day when such request for redemption is received. Should the request for redemption be received after the said business day cut-off time, it shall be deemed to have been received on the next business day, and the applicable redemption NAVPS to be used as basis for redemption shall be that which shall be computed at the end of the next business day when such request for redemption is deemed to have been received.

The Fund shall compute and post its NAVPS on a daily basis and shall publish such daily prices in at least two (2) newspapers of general circulation in the Philippines and post them daily in a conspicuous place at the Fund's principal office as well as in all its branches or correspondent offices that are designated as redemption centers.

For redemptions processed online, investors shall issue their redemption request through the Investment Manager's online investor portal, subject to the Fund's cut-off times for processing such requests. Proceeds of online redemptions shall be credited to the investor's designated settlement bank account. Investor may also arrange to pick up redemption proceeds at the main office of the Fund, subject to the investor's written instruction and presentation of a valid I.D.

There shall be no minimum holding period as required by law.

The redemption fee, plus applicable VAT, is computed based on the redemption price and is deducted from the redemption proceeds.

The redemption fee is based on the following schedule:

<b>Holding Period</b>	<b>Redemption Fee</b>
Up to one (1) year	5%
Beyond one (1) year	Nil

The cost of remittance charges, if any, incurred in the process of paying redemption proceeds shall be for the account of the Investor and shall be deducted from the said proceeds.

The Fund shall not suspend the right of redemption or postpone the date of payment or satisfaction upon redemption of any redeemable security in accordance with the terms appearing in this Prospectus, for more than seven (7) business days after the tender of such security to the MBG IMI, except on the instances prescribed by applicable Philippine laws or regulations.



## Benefits to the Investor

- Professional Management and Supervision - Investing in the Fund gives the Investor an opportunity to become a part owner of a professionally managed portfolio of securities. Thus, the Investor is saved from the very costly and prohibitive management fees of professional investment advisers. Also, he is relieved from the difficult task of research and analysis. The MBG IMI, which has the expertise, time and facilities to make profitable investment decisions, is in charge of what and when to buy and sell the securities.
- Diversification - One of the tools used to manage investment risk is diversification. Given the limited size of investible funds of a small investor, he does not have the financial resources to diversify. Investing in the Fund will give him that diversification and thus provide stability by insulating his investment from the ups and downs of any one security, thereby reducing risk.
- Opportunity for Potentially Higher Returns - For an investment of only One Hundred Thousand Pesos (Php100,000.00) net of sales fee and applicable VAT on the sales fee, the Investor can get a better opportunity for income compared to other fixed-income investments because of the benefit of economies of scale. However, there is no guarantee of returns on an investment in the Fund as the prices of securities it holds in its portfolio may increase or decrease.
- Liquidity - The Investor of the Fund may, at any time, convert his proportionate share of the Fund's current net assets into its cash equivalent, provided that he submits to the Fund all pertinent requirements as shown in the section headed "Redemption of Shares." There is no need to find a buyer as the Fund is always ready to redeem its shares.

## Risk Factors

**Market Risk.** The price of securities that the Fund will invest in will fluctuate on a daily basis. These fluctuations can be a result of a wide variety of reasons such as but not limited to changes in: 1) earnings prospects; 2) interest rates; 3) currencies; 4) senior management; 5) production processes; and 6) capitalization, market reach and coverage of the companies that the Fund invests in. All these price fluctuations of underlying securities will be reflected in the net asset value per share (NAVPS) of the Fund. Past performance is not a guide to future performance.

To manage the risks to the Fund's investments arising from fluctuations in market value, the Fund relies on the Investment Manager, particularly on the latter's internal pool of seasoned fund management professionals, as well as on the risk-reducing portfolio strategy of diversification of investments. Active monitoring and analysis of the factors influencing the prices of underlying securities is also important to managing the said investment risks.

**Liquidity Risk.** There are two types of liquidity risk that the Fund may face. One is the possible absence of buyers for the equity investments that it wants to sell. To manage this risk, the Fund will invest in adequately liquid stocks and securities. The other type of risk is the potential absence of liquid funds with which to service redemptions. To manage this risk and as required by the Securities and Exchange Commission (SEC), the Fund will maintain at least five percent (5%) of its net assets in liquid securities such as but not limited to time deposits and government securities. The Fund shall submit a liquidity contingency plan to the SEC before it implements a decreased investment of less than 10% in liquid/semi-liquid assets.

**Dilution and Price Risks in Investing in the Fund Itself.** Investing in a mutual fund is also open to dilution and liquidity constraints. By law, investors in mutual funds waive their pre-emptive rights to share offerings because mutual funds are offered on a continuing basis. An investor faces the risk that his percentage holding in the Fund might be diluted as other investors subscribe to Fund's shares. Regulation requires mutual funds to put up at least five percent (5%) of their net assets in liquid securities to service redemptions. Should redemptions exceed five percent (5%) of a Fund's net assets, it will be compelled to raise cash for servicing the redemptions through selling other investment assets at their current market values, which may be either higher or lower than their original purchased value.

There could likewise be instances where redemption prices of redeemed shares may be less than the prices at which the shares were originally purchased. Investors who have their shares redeemed by the Fund during this time may not recover the full cost of their investment.

To manage this risk, the investment advisers of the Fund will conduct a rigid suitability assessment on each potential investor to ensure that the risk-return profile of such investors is aligned with that of that Fund. In addition, the Investment Manager will continuously fine-tune the Fund's investment portfolio to accommodate potential redemptions in excess of five percent (5%) of the Fund's net assets.

**Regulatory Risk.** The Fund's operations are subject to regulations affecting a range of areas from the valuation of the Fund's in particular to income taxation in general. These regulations change and, when they do, can potentially produce a negative impact on the Fund's earnings and valuation. To manage this risk, the Fund and MBG IMI have tasked their respective compliance officers to closely monitor changes in regulation and to report to their respective Boards of Directors the impact of such changes and to recommend the necessary action plans.

### Use of Proceeds

The estimated gross proceeds to be raised by the Fund is Four Hundred Forty Million One Hundred Ninety-Three Thousand Twelve Pesos (Php440,193,012) assuming the unsubscribed shares are sold at the net asset value per share of the Fund as of August 31, 2016 of One Hundred and 01/100 Pesos (Php100.01). The estimated net proceeds to be raised by the Fund is Four Hundred Thirty-Nine Million One Hundred Fifty-Five Thousand One Hundred Forty-Four Pesos (Php439,155,144) broken down as follows:

Expense Item	Amount
Gross Proceeds	Php440,193,012
Expenses	
Registration Fee	444,562
Business License and Permits	365,604
Documentary Stamp Taxes	5,502
Professional Fees	151,200
Printing of Prospectus	30,000
Publication	41,000
Sub-Total	1,037,868
Net Proceeds	Php439,155,144

There is no material amount of the proceeds that will be used to discharge debt. There is likewise no part of the proceeds to be used to reimburse any officer, director, employee or shareholder of the Fund for service rendered, assets previously transferred, money loaned or advanced or otherwise.

The investment objective of the Fund, which is considered to be of high risk, is to achieve long term capital growth through an actively managed portfolio of primarily Philippine listed equities. For liquidity purposes and as may be called for by investment strategies from time to time, the Fund may invest in short-term fixed income instruments, time deposits and other money market instruments, Treasury Bills and other government securities, debt papers of domestic private corporations, or hold cash.

The proceeds derived by the Fund from the sale of its shares including the payments for original subscriptions during incorporation shall be deposited and held by the Fund's Custodian Bank, Deutsche Bank AG, Manila Branch, as required by Article IV (4.3) of the Rules and Regulations Governing Investment Companies under Republic Act 2629. The net proceeds from the sale of the shares of stock of the Fund, net of any sales fees, pre-operating expenses and taxes, shall be used for investment purposes in accordance with the policies set forth in the sections headed Investment Objective and Investment Restrictions beginning on page 11.

No material amount of the proceeds shall be used to acquire real assets or finance the acquisition of other businesses.

There are no named experts and independent counsel who have direct or indirect interest in the Fund in excess of Five Hundred Thousand Pesos (Php500,000.00).

Neither the Fund nor any of its subsidiaries/affiliates are the subject of any material pending legal proceedings.

### **Determination of Offering Price**

The shares of the Fund will be offered on a continuous basis at a subscription price based on the NAV per share as of the close of the business day less any accrued but unpaid Performance Fee and as adjusted in accordance with the Fund's accounting policies as described herein. The NAV per share shall be the computed difference between total assets of the Fund and its total liabilities divided by the number of shares outstanding.

The business day cut-off time for the reckoning of the date of submission of the subscription application shall be 12:00 noon. If the application is received on or before the said cut-off time, the shares shall be valued based on the subscription price computed at the end of the same business day. For applications received after the cut-off time, they shall be deemed to have been received on the next business day. In both instances, an applicable sales fee and VAT on the sales fee shall be charged on top of the investment amount.

### **Dilution**

There are no common equity securities being registered where there is any disparity between the public offering price and the effective cash cost to officers, directors, promoters and affiliated persons of the said common equity securities acquired by them in transactions during the last five (5) years, or which they have the right to acquire. The Fund is also not exempt from the reporting requirements of Section 17 of the Securities Regulation Code.

### **Selling Security Holders**

Regulations do not allow incorporators in an investment company to sell their investments within one year from the date of the SEC's approval of the Fund's secondary license.

### **Plan of Distribution**

The MBG Equity Investment Fund, Inc. ("MBG EIFI" or the "Fund") was organized as a stock corporation on the February 18, 2016 under SEC Registration No. CS201603378. It is a diversified, open-end investment company.

The Fund shall distribute its shares through Certified Investment Solicitors and through the Investment Manager's online investor portal. In the process of distributing the shares of the Fund, MBG IMI shall earn the following sales fees:

<b>Investment Size</b>	<b>Sales Fee</b>
Lower than Php500,000	5.00%
Php500,000 to Php1,000,000	3.00%
Over Php1,000,000	1.00%

The Fund stands ready to redeem the shareholdings of any investor at the applicable redemption NAVPS.

The Fund does not expect to hire employees within the next 12 months as all of its operations are performed by MBG IMI.

The Fund does not employ and does not have obligations to any kind of underwriter in the distribution of its shares. As such, the Fund offers no compensation for any underwriter. The Fund also does not have representatives of underwriters sitting in its Board of Directors.

Apart from the Fund appointing MBG IMI as its investment company adviser, principal distributor and fund administrator, the MBG EIFI has no other transactions with and/or dependence on related parties. Being an open-end investment company, shares of the Fund may be bought and requested for redemption through MBG IMI.

The Fund does not need any government approval for the offer of its shares to the public other than the approval of its secondary license with the SEC. There are likewise no environmental laws that the Fund needs to directly or indirectly comply with.

The bill on the Collective Investment Schemes Law (CISL), which aims to update R.A. 2629 or the law that regulates the mutual fund industry has been filed in Congress. One of the provisions of the CISL bills is to exempt mutual fund companies from certain requirements of the Corporation Code as regards increasing their authorized capital stock. If enacted, the law would streamline operations of mutual funds particularly in securing shareholder approval of certain corporate actions.

Neither the MBG EIFI nor any of its subsidiaries/affiliates are the subject of any material pending legal proceedings.

The MBG EIFI does not intend to acquire real assets other than financial securities as it is only in the business of investing, reinvesting and trading in such securities.

There are no:

1. arrangements whereby any underwriter of the MBG EIFI is given the right to designate or nominate a member or members of the Board of Directors of the Fund;
2. shares designated to be sold to specified persons;
3. discounts or commissions to be allowed or paid to Broker Dealers;
4. cash, securities, contracts and other considerations to be received by any Broker Dealer in connection with the sales of the Fund's securities;
5. sales of unregistered or exempt securities;
6. known trends or any know demands, commitment, events or uncertainties that will result in or that are reasonably likely to result in the Fund's liquidity increasing or decreasing in any material way;
7. events that will trigger direct or contingent financial obligation that is material to the Fund, including any default or acceleration of an obligation;
8. material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Fund with unconsolidated entities or other persons created during the reporting period;
9. material commitments for capital expenditures, the general purpose of such commitments;
10. known trends, event or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on the Fund's revenues or income from continuing operations;
11. significant elements of income or loss that did not arise from the Fund's continuing operations; and
12. seasonal aspects that had a material effect on the financial condition or results of operation.

## Description of Securities

The MBG Equity Investment Fund, Inc. (the "MBG EIFI" or the "Fund") was organized as a stock corporation on February 18, 2016 under SEC Registration No. CS201603378. It is a diversified, open-end investment company. The Fund is offering for sale Four Million Four Hundred One Thousand Six Hundred (4,401,600) common shares of stock, with a par value of Php0.01 per share, inclusive of those already subscribed for during the Fund's registration. Assuming the application of the NAVPS as of August 31, 2016, the total offering amounts to Four Hundred Forty Million One Hundred Ninety-Three Thousand Twelve Pesos (Php440,193,012). Each share of stock of the Fund is common and voting stock with voting rights equal to one vote per share and equal to every other outstanding share of stock, and subject to the following:

- **Right of Redemption**  
The holder of any shares of stock of the Fund, upon presentation to the Fund or to any of the Fund's duly authorized representatives, of the Confirmation Receipt or stock certificate, and upon filing of the duly accomplished redemption form, have the right to receive by way of redemption approximately his proportionate share in the Fund's prevailing net assets or the cash equivalent thereof at the time of filing of the redemption request (i.e., the net current asset value per share, subject to existing laws and the By-Laws of the Fund). The Fund shall establish a network of redemption centers acceptable to the Commission, starting with the Fund's office at the G/F 110 Legazpi Street, Legaspi Village, Makati City 1229. However, in accordance with Investment Company Act Rule 35-1 (e)(6) the SEC may, whenever necessary or appropriate in the public interest or for the protection of investors, suspend the redemption of securities of the Fund.
- **Right of Accumulation**  
The investments of each stockholder shall be totaled in determining the appropriate sales fee and redemption fee to be applied to his subsequent investment and redemption, respectively. For this purpose, in-trust-for accounts shall be considered as part of the total investments in the Fund of an investor/trustor.
- **Waiver of Pre-emptive Rights**  
No stockholder shall, because of his ownership of stock, have a pre-emptive or other right to purchase, subscribe for, or take any part of any stock or of any other securities convertible into or carrying options or warrants to purchase stock of the Fund. The Fund's Articles of Incorporation further provide that any part of such stock or other securities may at any time be issued, auctioned for sale, and sold or disposed of by the Fund pursuant to the resolution of its Board of Directors, to such persons and upon such terms as the Board may deem proper, without first offering such stock or securities or any part thereof to existing stockholders.
- **Restrictions on Transfer**  
No transfer of the Fund's stock, which would reduce the stock ownership or equity interest of Filipino citizens to less than the percentage required by applicable laws or regulations, shall be caused or allowed to be recorded in the books of the Fund. The shareholders who provided the initial capital of the Fund shall not be allowed to sell, transfer, convey, encumber or otherwise dispose of their shares within twelve (12) months from the approval of the secondary registration of the Fund's shares.
- **Distribution of Dividends**  
The Board of Directors of the Fund is authorized to determine the amount to be reserved or provided for declaration and payment of dividends from the Fund's unrestricted retained earnings. The amount of such dividends (whether in cash, stock, property or a combination thereof) shall be dependent on but not limited to the Fund's profits, cash flows, capital expenditure, and financial condition. Surplus and unrestricted net earnings are needed before dividends can be declared. These surplus and unrestricted net earnings must, in turn come from the net income for a year based on audited financial statements less unrealized income items, which are considered not available for dividend declaration. Whenever circumstances permit, the Fund shall declare total dividends (whether in cash, stock, property or a combination thereof) of not less than one-half percent (0.50%) of its surplus and unrestricted earnings, less unrealized income items, for a given fiscal year.

Cash dividends and property dividends may be declared by the Board of Directors and no stockholder approval is required. Stock dividends paid on the securities of the Fund are subject to approval by both the Board of Directors and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Fund at a stockholders' meeting called for such purpose.

Under the Corporation Code, Corporations with surplus profit in excess of 100% of its paid-in capital stock are required to declare dividends (cash or stock) and distribute it to its stockholders.

Holders of securities of the Fund may opt to automatically reinvest their cash dividends in additional shares on behalf of the shareholders, without sales charges, at the NAVPS on the payment date for such dividends. Holders of securities of the Fund may also elect not to have dividends reinvested and receive payment in cash, net of tax. Cash dividends paid by corporations to individuals are subject to the final withholding tax of ten percent (10%).

The target investors, although not exclusively, are high-net-worth individuals and institutional investors around the Philippines. Before any solicitation is consummated, MBG IMI shall ensure that each prospective investor is given a copy of the MBG EIFI's prospectus in either electronic form or hard copy, that material parts of the prospects are explained clearly and that each prospective investor goes through a suitability test to see the said prospective investor's investment objectives and risk taking level are aligned with those of the MBG EIFI.

There are no other material rights of the common shareholders. There is no provision in the By-Laws that would delay, deter or prevent a change in control of the Fund.

The Fund is not under any bankruptcy, receivership or similar proceedings.

There are no material reclassifications, mergers, consolidations, or purchases or sales of a significant amount of the assets of the Fund (not in the ordinary course of business).

### **Interests of Named Experts and Independent Counsel**

There are neither named Experts nor Independent Counsels who have direct or indirect interest in the MBG EIFI exceeding the amount of Five Hundred Thousand Pesos (Php500,000.00).

### **Description of Business**

The Fund had a subscribed and paid-in capital of One Hundred Ten Million Forty Thousand Pesos (Php110,040,000.00) at incorporation. Pursuant to Article IV, Section 4.4 of the SEC's rules and regulations governing R.A. 2629, the incorporators of the Fund agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares in the Fund within a twelve-month (12) month lock up period from the registration date of the Fund. Being an open-end investment company, the Fund stands ready to buy back its shares from the investing public subject to the provisions of this Prospectus. The shares of the Fund are not traded on any public trading market or exchange.

The Fund shall endeavor to give investors the opportunity to enjoy capital appreciation by giving them access to the buoyant local equity market. In this regard, the Fund, through MBG IMI, shall distribute its shares through Certified Investment Solicitors and through the Investment Manager's online investor portal.

The Fund does not expect to sell or distribute its shares in foreign markets. Moreover, majority of its investments shall be in securities issued by companies based or doing business in the Philippines.

### **Affiliated Companies**

The Fund has no affiliated companies.

## **Involvement in Certain Legal Proceedings**

There is no material pending legal proceeding to which the Fund or any of its subsidiaries or affiliates is a party or of which any of their property is the subject. There are no bankruptcy petitions filed by or against any business of which such person was a general partner or executive officer whether at the time of the bankruptcy or within two (2) years prior to that time. There is no conviction by final judgment, in a criminal proceeding, domestic or foreign, or the Fund being subject to a pending criminal proceeding, domestic or foreign. The MBG EIFI is not subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting its involvement in any type of business, securities, commodities or banking activities. The MBG EIFI has not been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

None of the members of the Board of Directors is:

1. involved in any legal proceeding during the past five (5) years that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or control person of the Fund;
2. involved in any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
3. involved in or convicted by final judgment in any criminal proceeding, domestic or foreign, or subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
4. subject to any order, judgment, or decree not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
5. found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the said judgment has not been reversed, suspended or vacated.

## **Computation of Net Asset Value**

The NAV is determined by computing the total value of the Fund's assets less its liabilities in accordance with the procedure used in computing the NAV of each share of the Fund. The NAVPS computation shall be made in accordance with the valuation method indicated in this Prospectus and shall be applied consistently. Any change in the NAVPS calculation or valuation method shall be subject to approval by the SEC. Except as the SEC shall from time to time prescribe, the NAV shall be calculated by adding: (a) the aggregate value of the portfolio securities and other assets; (b) the cash on hand; (c) any accrued interest on portfolio securities; (d) revaluation of all securities held by their respective market prices and currency conversion rates, and subtracting: (e) taxes and other charges against the fund not previously deducted; (f) accrued expenses and fees; and (g) cash held for distribution to securities holders on a prior date.

The Fund shall compute and post its NAVPS on a daily basis and shall publish such daily prices in at least two (2) newspapers of general circulation in the Philippines and post them daily in a conspicuous place at the Fund's principal office as well as in all its branches or correspondent offices that are designated as redemption centers.

## Cash Dividends

The Board of Directors of the Fund is authorized to determine the amount to be reserved or provided for declaration and payment of dividends from the Fund's unrestricted retained earnings. The amount of such dividends (whether in cash, stock, property or a combination thereof) shall be dependent on but not limited to the Fund's profits, cash flows, capital expenditure, and financial condition. Surplus and unrestricted net earnings are needed before dividends can be declared. These surplus and unrestricted net earnings must, in turn come from the net income for a year based on audited financial statements less unrealized income items, which are considered not available for dividend declaration. Whenever circumstances permit, the Fund shall declare total dividends (whether in cash, stock, property or a combination thereof) of not less than one-half percent (0.50%) of its surplus and unrestricted earnings, less unrealized income items, for a given fiscal year.

Cash dividends and property dividends may be declared by the Board of Directors and no stockholder approval is required. Stock dividends paid on the securities of the Fund are subject to approval by both the Board of Directors and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Fund at a stockholders' meeting called for such purpose.

Under the Corporation Code, Corporations with surplus profit in excess of 100% of its paid-in capital stock are required to declare dividends (cash or stock) and distribute it to its stockholders.

Holders of securities of the Fund may opt to automatically reinvest their cash dividends in additional shares on behalf of the shareholders, without sales charges, at the NAVPS on the payment date for such dividends. Holders of securities of the Fund may also elect not to have dividends reinvested and receive payment in cash, net of tax. Cash dividends paid by corporations to individuals are subject to the final withholding tax of ten percent (10%).

## Management's Plan of Operation

The Philippine mutual fund industry is a fast growing industry, which as of July 31, 2016 had fifty-seven (57) active funds and a combined NAV of approximately Php253 billion based on information disclosed by the Philippine Investment Funds Association. In 1991, there were only two (2) mutual funds and approximately Php108 million in combined net assets.

Competition is present throughout the Philippines and is dominated by subsidiaries of banks and life insurance companies. As of July 31, 2016, the combined size of the MBG EIFI's direct competition of equity mutual funds is estimated at Php99 billion with an average investment size of Php503,000. The MBG EIFI aims to be one of the major players among local equity-invested mutual funds within the next five (5) years by providing competitive returns and excellent service.

The principal methods for competition are investment performance followed by risk exposure. The Fund will differentiate itself among competitors by adopting a bottom-up stock selection approach, with the aim of identifying businesses that have the potential of delivering above-average earnings growth over the long-term. The Investment Manager will construct a concentrated portfolio of primarily mid to large capitalization stocks that meet the Fund's investment criteria.

The MBG EIFI shall use the following key performance indicators to measure its performance:

1. Investment Performance – the MBG EIFI aims to outperform the Philippine Stock Exchange Index or 75% of its peer group over rolling three-year periods;
2. Net New Business – the MBG EIFI seeks to generate yearly positive net new business, defined as the positive difference between client subscriptions less redemptions;
3. Assets Under Management (AUM) – an important influence on AUM is the level of markets, but the MBG EIFI aims to grow AUM over time in excess of market growth, through positive investment performance and net new business;
4. Total Expense Ratio (TER) – the MBG EIFI targets to reduce TER below its peer group average by constantly seeking operating efficiencies and growing AUM, recognizing that in weaker markets the TER may be higher than its long-term target;



5. Customer Engagement – the MBG EIFI aims to grow its customer base, both in terms of number and average AUM, and increase its share of customer investment portfolios by achieving top investment performance and delivering high quality investor services.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There has been no disagreement with the external auditor of the Fund on any accounting and financial disclosures.

### **Directors and Officers of the Fund**

To date until the next General Stockholders' Meeting, the Board of Directors and the key senior officers of the Fund are as follows:

**Edilberto B. Bravo** has been the Chairman of the Board of the Fund since inception. Atty. Bravo is concurrently Chairman and Chief Executive Officer of U-Bix Corporation, President of Facilities Managers, Inc., President of East West Capital Corporation, President of Federated Realty Corporation, President of Facilities Management College, Inc., and Board Member of Insular Life Health Care, Inc. Atty. Bravo was formerly a Member of the Board of Union Bank of the Philippines and formerly Vice Chairman of Insular Life Assurance Co. Ltd. Atty. Bravo graduated from the University of the Philippines with degrees in Bachelor of Laws and Bachelor of Science in Jurisprudence. He is 79 years old.

**Evelyn R. Singson** has been President of the Fund since inception. Ms. Singson is concurrently the Vice Chairman and President of Philippine Hoteliers, Inc., Director and President of Philippine Hoteliers International Center for Hospitality Education, Inc., member of the Supervisory Council of Lyceum of the Philippines University, Director and President of Gilt-Edged Properties, Inc., Director and Treasurer of Four Treasures Development Corporation, and Director and President of La Bella Lifestyle Properties, Inc. She graduated with a Bachelor of Science in Commerce (magna cum laude) from Assumption Convent and earned a Master's degree in Business Administration from Kellogg School of Business, Northwestern University. Ms. Singson is a certified public accountant. She is 72 years old.

**Michael Jack B. Garcia** has been director of the Fund since inception. Mr. Garcia is concurrently President of the MBG Investment Management, Inc. He is also founder, Chief Executive Officer and Chief Investment Officer of MBG Capital, Inc. Mr. Garcia was Trust Officer and Chief Investment Officer of Union Bank of the Philippines. He was a Senior Financial Analyst at General Motors Coordination Center in Brussels, Belgium, a Financial Analyst at Vauxhall Motors Ltd. in the United Kingdom, and Credit Risk Manager at Citytrust Banking Corporation. He earned a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University and a Master's degree in Business Administration and Economics from the IESE Business School in Barcelona, Spain. Mr. Garcia is a Chartered Financial Analyst charter holder. He is 46 years old.

**Rafael S. Algarra, Jr.** has been an independent director of the Fund since inception. Mr. Algarra, Jr. was formerly Executive Vice President and Head of Financial Markets Segment of Security Bank Corporation, Chairman of SB Forex, Director of SB Capital and Director of FWD Insurance. He was also Regional Head of Global Exotics for Standard Chartered Bank, Singapore. He was awarded first and sole winner of the Promising Young Banker Award for the Philippines and one of 5 Most Promising Young Banker Award for Asia-Pacific Region by The Asian Banker in 2008. Mr. Algarra, Jr. graduated with a Bachelor of Science in Management Engineering from the Ateneo de Manila University and a Master's degree in Business Management from the Asian Institute of Management. Mr. Algarra, Jr. is 47 years old.

**Paul Patrick M. Carague** has been an independent director of the Fund since inception. Mr. Carague is concurrently Senior Vice President and Head of Operations for the Century Properties Group, Inc. and President of Siglo Suites, Inc. He was Chief Operating Officer of the Cullinan Group, Inc., First Vice President of Union Bank of the Philippines, Senior Director at Freddie Mac (United States of America), Group Manager / Director of Capital One (United States of America), Manage and Head of Business Analysis at US Airways, and Equity Research Analyst at DBP-Daiwa Securities Philippines. He graduated with a Bachelor of Arts in Management Economics from the Ateneo de Manila University and a Master's degree in Business Administration from the J.L. Kellogg Graduate School of Management. Mr. Carague is 45 years old.

**Sebastian Arsenio R. Lacson** has been the Treasurer of the Fund since inception. Mr. Lacson is concurrently Executive Vice President of Therma Luzon, Inc. He was Chief Operating Officer of Visayan Electric Company, First Vice President of Aboitiz Equity Ventures, Technical Assistant to the Chairman at Union Fenosa Central America, Investment Manager for the Asia Pacific Region of Union Fenosa Internacional and Country Managing Director of Euro Pacific Holdings. He graduated with a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University and a Master's degree in Business Administration and Economics from the IESE Business School in Barcelona, Spain. Mr. Lacson is 45 years old.

**Joseph Alvin C. Tan** has been the Compliance Officer of the Fund since inception. He was Portfolio Manager of MBG Capital and Fund Manager at the Trust Division of Union Bank of the Philippines. He is a Level III Candidate at the Chartered Financial Analyst Institute. He graduated Bachelor of Science in Applied Mathematics major in Mathematical Finance from the Ateneo de Manila University. He is 27 years old.

**Gerardo Maximo V. Francisco** has been the Corporate Secretary of the Fund since inception. He is concurrently the Corporate Secretary of MBG IMI and Partner at Mata-Perez & Francisco. He was previously Partner and Senior Associate at Salvador & Associates. He was Partner at Batuhan Blando Concepcion & Francisco, and Associate at SyCip Salazar Hernandez & Gatmaitan. He graduated with Bachelor of Science degree in Legal Management from the Ateneo de Manila University. He also graduated from the Ateneo de Manila School of Law and earned as Master of Laws degree from the Columbia University School of Law. He is He is 46 years old.

### **Parties Involved in the Fund**

There are neither named Experts nor Independent Counsel who have direct or indirect interest in the MBG EIFI exceeding the amount of Five Hundred Thousand Pesos (Php500,000.00).

#### Investment Manager, Principal Distributor and Administrator

The MBG IMI, with principal address at G/F 110 Legazpi Street, Legaspi Village, Makati City is the MBG EIFI's Investment Manager, Principal Distributor and Administrator. Under the revised SEC procedures, the MBG IMI's incorporation and secondary license shall be granted only after the approval of the Fund's secondary license with the SEC. The MBG IMI's proposed authorized capital stock of Four Hundred Thousand Pesos (Php400,000.00), Philippine currency, and said capital stock is divided into Four Hundred Thousand (400,000) shares with the par value of One Peso (Php1.00) per share. Its subscribed capital is One Hundred Thousand Pesos (Php100,000) and its total paid-in capital is Ten Million Pesos (Php10,000,000) with Additional Paid-in Capital of Nine Million Nine Hundred Thousand Pesos (Php9,900,000). The MBG Capital, Inc. (MBG Capital) is the parent company of the MBG IMI, holding Ninety-Nine Thousand Nine Hundred Ninety-One (99,991) shares.

The guidelines for the management of the resources and operations of the Fund by the MBG IMI are set in the Management, Distribution and Administration Agreement Between the parties.

The MBG IMI is a corporation majority-owned by the MBG Capital, Inc., a company with a solid track record in investment management. The following are the members of the Board of Directors and officers of the MBG IMI:

**Michael Jack B. Garcia** has been President of MBG IMI since inception. Mr. Garcia is concurrently a director of the MBG Equity Investment Fund, Inc. He is also founder, Chief Executive Officer and Chief Investment Officer of MBG Capital, Inc. Mr. Garcia was Trust Officer and Chief Investment Officer of Union Bank of the Philippines. He was a Senior Financial Analyst at General Motors Coordination Center in Brussels, Belgium, a Financial Analyst at Vauxhall Motors Ltd. in the United Kingdom, and Credit Risk Manager at Citytrust Banking Corporation. He earned a Bachelor of Arts degree in Management Economics from the Ateneo de Manila University and a Master's degree in Business Administration and Economics from the IESE Business School in Barcelona, Spain. Mr. Garcia is a Chartered Financial Analyst. He is 46 years old.

**Jose Ramon R. Garcia** has been a director of MBG IMI since inception. He is concurrently Chairman of K Line Philippines, Inc. He is also director for K Line Logistics, Inc., Swire Travel Philippines, Inc., Sun Logistics Technology, Inc., Asia Trans International, Inc., and Nova Leisure Corporation. He is President of Rayomar Management, Inc., Oste Crewing Philippines, Inc., Ventis Maritime Corporation, Orient Freight International, Inc., Oriental Merchants, Inc., Overland Transport Services, Inc. and Mara Realty, Inc. He is likewise Treasurer for Transmar Agencies, Inc. and Chariot Trailer Leasing, Inc. He earned a degree in Bachelor of Arts in Philosophy and Letters and Bachelor of Science in Commerce from the De La Salle University. He earned a Master's degree in International Business from St. Mary's College, California, USA. He is 55 years old.

**Mauro C. Agustines** has been a director of MBG IMI since inception. Mr. Agustines is concurrently Chief Executive Officer of the One Food Group, He used to be President and General Manager of Mister Donut Philippines, Vice President of Ramcar Food Group, Vice President of Ramcar Incorporated, Global Operations Manager of Honeywell Automotive Garret Turbo Chargers, Finance Manager of Honeywell Aerospace, Production Shift Supervisor of PLC Corporation and Machinist at Ramcar Technology Incorporated. He graduated with a degree in AB Management Economics from the Ateneo de Manila University, a Master's degree in Business Administration from the Massachusetts Institute of Technology and OPM42 from the Harvard Business School. He is 48 years old.

**Francisco S.A. Sandejas** has been a director of MBG IMI since inception. He is concurrently the Managing Partner of Narra Venture Capital Management, LLC (Delaware) and Managing Director of Narra-BGN Ventures, Philippines. He is also concurrently Board Member and Chairman of the Technology Steering Committee of Union Bank of the Philippines, Chairman of Stratpoint Technologies, Inc., Board Member of Colixo, Inc., Chairman and CEO of Xepito Computing, and Board Member to Investment Portfolio Companies of Narra Venture Capital in Silicon Valley and other technology clusters in the United States. Mr. Sandejas was a Board Member of PSI Technologies, Inc., Vice President for H & Q Asia Pacific, San Francisco and H&Q Philippines, Board Member of Advanced Integrated Photonics, Inc. (Fremont, California), Board Member of Capitol Wireless, Inc., Board Member of Wavenet Philippines, Inc., Product Marketing Manager of Applied Komatsu Technology, Engineering Consultant at Silicape, Inc., Research Assistant at Ultrafast Electronics Laboratory, Instructor of Natural Science and Physical Education at the University of Asia and the Pacific, Research Assistant at the Physics Department of the University of the Philippines and Assistant to the President of Saranga Ceramics Manufacturing Company. Mr. Sandejas graduated with a Bachelor of Science degree in Applied Physics (summa cum laude) from the University of the Philippines, and Master of Science and Ph. D. degrees in Electrical Engineering from the Stanford University. He is 48 years old.

**Karen Liza M. Roa** has been an independent director of MBG IMI since inception. Ms. Roa is concurrently College Professor of the University of the Philippines and Ateneo de Manila University. She was President of the Philam Asset Management, Inc. She was the Asia Pacific Product Director for Investment and Wealth Management Solutions at Sunguard Asia Pacific. She was also Vice President and Trust Officer of Philam Savings Bank and Assistant Vice President of Citibank N.A. Philippine branch. She was an Associate under the Management Development Program at Chase Manhattan Bank N.A. in New York. Ms. Roa graduated with a Bachelor of Science degree in Legal

Management from the Ateneo de Manila University and a Master's degree in Business Administration from Fordham University in New York City. She is 47 years old.

**Ma. Angeles R. Garcia** has been Treasurer of MBG IMI since inception. She is concurrently Director and Treasurer of MBG Capital, Inc. as well as Director and Head of Special Projects at Rayomar Management, Inc. She was Product Manager at Oriental Merchants, Inc., Project Manager of Omnicell Technologies, Inc., and Consumer Service Lead at Sega of America, Inc. Ms. Garcia graduated with a Bachelor of Arts degree in Film Production with major in Directing at the San Francisco State University. She attended the short course of International Business Strategy at the London School of Economics. Ms. Garcia is 48 years old.

**Jaime B. Garcia** has been Compliance Officer of MBG IMI since inception. Mr. Garcia is concurrently Operations Manager of Gruppo Espazio Ventures. He was Operations Manager of MBG Capital, Inc., founder and Chief Executive Officer of Home Accents, Sales Manager of Landco Pacific Corporation, Relationship Officer of International Exchange Bank, Account Executive at Directories Philippines Corporation, Sales Associate at Future Shop, Inc., and Assistant Trader at BPI Securities, Inc. He graduated with a Bachelor of Science degree in Hotel and Restaurant Management from the University of Santo Tomas. Mr. Garcia is 44 years old.

**Gerardo Maximo V. Francisco** has been the Corporate Secretary of MBG IMI since inception. He is concurrently the Corporate Secretary of the Fund and Partner at Mata-Perez & Francisco. He was previously Partner and Senior Associate at Salvador & Associates. He was Partner at Batuhan Blando Concepcion & Francisco, and Associate at SyCip Salazar Hernandez & Gatmaitan. He graduated with Bachelor of Science degree in Legal Management from the Ateneo de Manila University. He also graduated from the Ateneo de Manila School of Law and earned as Master of Laws degree from the Columbia University School of Law. He is He is 46 years old.

#### Custodian Bank

The Custodian Bank of the Fund is Deutsche Bank AG, Manila Branch. The Custodian Bank Agreement establishes the partnership between the Fund, the MBG IMI and the Custodian Bank. It covers the Custodian Bank's duties on receipt of investments, redemption procedures to be used, reports and records to be accomplished by the custodian bank, procedures governing the transfer of the MBG EIFI's shares and accounts of investors, custody of certificates representing investments made by the fund manager for the Fund and fees of the Custodian Bank.

The Custodian Bank charges a custody fee on local currency securities of  $2.5/100$  percent (0.025%) per annum (accrued daily) of the market value of the assets under custody. The Custodian Bank also collects a transaction fee of Two Hundred Pesos (Php200.00) per transaction on local equities, fixed rate treasury notes and government securities. Foreign currency securities are charged a custody fee of up to  $3.25/100$  percent (0.0325%) per annum (accrued daily) of the market value of the assets under custody and a transaction fee of up to Thirty US Dollars (Usd30.00) per transaction. Custody and transaction fees of the Custodian Bank, plus value added or any other tax imposed by the Philippine government thereon, shall be accrued daily and paid monthly in arrears (the "Monthly Fee"). Notwithstanding the foregoing, the Custodian Bank shall charge a minimum Yearly Fee of Twenty Thousand Euros (Eur20,000.00) or its Peso equivalent.

All administrative expenses and fees incurred by the Custodian Bank in the performance of its duties such as cable charges, RTGS/PDDTS charges, depository fees under Custodian Agreement with the MBG EIFI shall be for the account of the Fund.

#### Stock Transfer Agent

BDO Unibank, Inc. is the designated Stock Transfer Agent of the Fund. BDO Unibank, Inc. charges the Fund an opening fee of Twenty Thousand Pesos (Php20,000.00), plus VAT. Its monthly retainer fee is Ten Thousand Pesos (Php10,000.00) for the first 5,000 shareholders and Two Pesos (Php2.00) per shareholder in excess thereof, plus applicable VAT. BDO Unibank, Inc. also charges an issuance fee of Forty-Five Pesos (Php45.00) for each stock certificate issued and a redemption fee of Twenty Pesos (Php20.00) for each stock certificate cancelled, plus applicable VAT. For the computation of

cash dividends and preparation of dividend checks, BDO Unibank, Inc. charges the Fund Thirty Pesos (Php30.00) per shareholder.

Legal Counsel

Atty. Gerardo Maximo V. Francisco serves as the Fund's legal counsel. There is no expert or independent counsel hired on a contingent basis. The retainer fee is Ten Thousand Pesos (Php10,000.00) per month plus applicable VAT.

External Auditor

SGV & Co. is the Fund's external auditor. There has been no disagreement with the external auditor of the Fund on any accounting and financial disclosures.

There is no monthly retainer fee, just an annual fee, which for the calendar year 2016 is expected to be at Php100,000.00. Annual audit fee to be determined is based on business volume of the year under examination.

The external auditor was chosen based on the following criteria followed by the Audit Committee:

- capacity to provide the following
  - audit services
    - audit of financial statements submitted to the SEC and BIR
    - statutory audits
    - tax or information technology control assistance for audit services
  - audit-related services
    - employee benefit plan audits
    - due diligence assistance
    - accounting research on proposed transactions
  - tax services
    - tax compliance
    - tax planning and advice
  - other services
    - special investigations to assist the Audit Committee
    - assistance with regulatory activities
- not providing any service that would result in the external auditor
  - functioning in the role of management;
  - auditing its own work; and
  - serving in an advocacy role
- none of the following is hired or to be hired by the Fund to fill a financial reporting oversight role
  - lead partner for the audit
  - concurring partner for the audit
  - any other member of the audit engagement team that provides audit, review or attest services for the Fund
- willingness to rotate the lead and concurring partners as often as required by the SEC

**Summary of Fees to be Paid by the MBG EIFI**

Type of Fee	Percentage Rate	Others
Management Fee	2.00% p.a.	• plus 12% VAT based on the NAV of the Fund. Fees shall be computed and deemed to accrue on a daily basis
Annual Performance Fee	10.00% of gains above the High Water Mark per share of the Fund	• plus 12% VAT to be charged on shares at each Calculation Period when the Gross NAV is higher than the High Water Mark. Fees shall be computed and deemed to accrue on a daily basis.
Administration Fee	0.25% p.a.	• plus 12% VAT based on the NAV of the Fund. Fees shall be computed and deemed to accrue on a daily basis.

Custodian Fee	0.025% p.a. or a minimum of Eur20,000 per year or its Peso equivalent plus 12% VAT	<ul style="list-style-type: none"> <li>plus 12% VAT based on the market value of the assets under custody accrued daily.</li> <li>Two Hundred Pesos (Php200.00) per transaction on local equities, fixed rate treasury notes and government securities.</li> <li>Foreign currency securities are charged a custody fee of up to <math>\frac{3.25}{100}</math> percent (0.0325%) plus 12% VAT based on the market value of the assets under custody accrued daily and a transaction fee of up to Thirty US Dollars (Usd30.00) per transaction. Notwithstanding the foregoing, the Custodian Bank shall charge a minimum Yearly Fee of Twenty Thousand Euros (Eur20,000.00) or its Peso equivalent.</li> </ul>
Stock Transfer Agency Fee		<ul style="list-style-type: none"> <li>opening fee of Php20,000.00</li> <li>monthly retainer fee of Php10,000.00 + 12% VAT</li> <li>certificated stock issuance fee of Php45.00 + 12% VAT</li> <li>redemption fee of Php20.00 + VAT per redemption</li> <li>computation and dividend check preparation fee of Php30.00 + VAT per shareholder.</li> </ul>
Legal counsel fee		Php10,000 + 12% VAT retainer per month
External Auditor's Fee		estimated at Php100,000 + VAT for 2016; fee is expected to grow as the number of transactions and NAV of the MBG EIFI also grow

### Summary of Fees to be Paid by Investors in the MBG EIFI

Type of Fee	Percentage Rate	Others
Sales Fee	5.00% 3.00% 1.00%	<ul style="list-style-type: none"> <li>below Php500,000</li> <li>Php500,000 to Php1,000,000</li> <li>Over Php1,000,000</li> </ul>
Redemption fee	5% + VAT nil	<ul style="list-style-type: none"> <li>holding period of one year</li> <li>beyond one year</li> </ul>
Stock Transfer Agency Fee	Php45 + VAT Php20 + VAT	<ul style="list-style-type: none"> <li>certificated stock issuance fee of Php45.00 + VAT</li> <li>redemption fee per redemption</li> </ul>

### Material Contracts and Agreements Relating to the Fund

#### Management, Distribution and Administration Agreement

Under this agreement, MBG IMI was appointed as the Investment Manager, Principal Distributor and Administrator of the Fund. Under the agreement, the services of the MBG IMI shall include the following:

1. Investment and reinvestment of the resources of the Fund in accordance with the investment policies and guidelines set by the Fund's Board of Directors in conformity with the Fund's Prospectus, the ICA and other applicable laws and regulations;
2. Preparation and submission of such information and data relating to economic conditions, industries, business, corporations, or securities as may be reasonably required by the Fund's Board of Directors or as the MBG IMI may deem to be necessary in formulating and evaluating its investment policies or guidelines;
3. Coordination of the activities of, and extension of all necessary cooperation or assistance to the Fund's Custodian Bank, the Transfer Agent, the auditors, and the legal counsel without prejudice to the direct responsibility of such firms to the Fund;

4. Preparation of such reports, circulars, notices and other information on internal corporate affairs that may be required, from time to time, by the Fund, its stockholders, Board of Directors, and/or officers, which shall include a monthly report on:
  - a. Revenues and disbursements broken down as to investments and expenses;
  - b. Sales and redemptions; and
  - c. Performance, changes in or status of the Fund's assets;
5. Representation with Government offices, instrumentalities and agencies, including all work required in registering the Fund's securities, obtaining proper licenses and permits, complying with other legal requirements including those requirements relevant to the MBG IMI's own operations, and submitting regular reports to various government agencies;
6. Accounting, bookkeeping, clerical and other administrative services in the ordinary conduct of the Fund's activities, other than those services provided by the Custodian Bank, the auditors, and the legal counsel;
7. Transactions with fixed income securities dealers and equity stock brokers for the account of the Fund in connection with the MBG IMI's investment and reinvestment of the Fund's assets;
8. Provide office space and other administrative facilities; and
9. Distribution of the shares of the Fund.

For its services, MBG IMI will be paid a monthly Management Fee equivalent to two percent (2%) per annum of the NAV of the Fund and an annual Performance Fee of ten percent (10%) of gains above the High Water Mark per share of the Fund. MBG IMI shall likewise be paid an Administration Fee equivalent to  $\frac{25}{100}$  percent (0.25%) per annum based on the NAV of the Fund. Fees shall be computed and deemed to accrue on a daily basis.

*Performance Fee.* The Investment Manager is entitled to receive an annual Performance Fee from the Fund. The Performance Fee, if any, is calculated and payable (i) as of the last Business Day of each fiscal year, and (ii) as of each Valuation Day with respect to the shares redeemed by redeeming shareholders, in each case with respect to the period ending on such date (a "Calculation Period").

The Performance Fee will be deemed to accrue on a daily basis as at each Valuation Day. The Performance Fee in respect of each Calculation Period will be calculated by reference to the Gross NAV (as defined below) per share. The Performance Fee will only be charged on shares when the Gross NAV is higher than the High Water Mark (as defined below).

The "Gross NAV" is the Net Asset Value before deduction for any accrued Performance Fees and any distributions payable in respect of the relevant Calculation Period.

The "High Water Mark" per share is the greater of (i) the subscription price of the relevant shares and (ii) the highest previous Net Asset Value of the shares at the end of any previous fiscal year.

The amount of the Performance Fee to be paid per share will be calculated as 10% of the positive difference between the Gross NAV per share above the High Water Mark per share.

All fees and expenses (except the Performance Fee) that have been accrued or paid (but not previously accrued) for a given period are deducted prior to calculating the Performance Fees for such period, including, without limitation, the Management Fee.

*Equalization Adjustment.* If a shareholder subscribes for shares at a time when the Gross NAV per share is other than the High Water Mark per share, certain adjustments will be made to reduce inequities that could otherwise result to the shareholder or to the Investment Manager.

If shares are subscribed for at a time when the Gross NAV per share is less than the High Water Mark per share, the shareholder will be required to pay a Performance Fee with respect to any subsequent appreciation in the value of those shares. With respect to any appreciation in the value of shares from the Gross NAV per share at the date of subscription up to the High Water Mark per share, the Performance Fee will be charged at the end of each fiscal year, by redeeming at nil value such number

of the investor's shares as have an aggregate Net Asset Value (after accrual for any Performance Fee) equal to up to 10% of any such appreciation (a "Performance Fee Redemption").

The aggregate Net Asset Value of the shares so redeemed will be paid to the Investment Manager as a Performance Fee. Performance Fee Redemptions are employed to ensure that the Fund maintains a uniform Net Asset Value per share. As regards the shareholder's remaining shares, any appreciation in the Gross NAV per share above the High Water Mark per share will be charged a Performance Fee in the normal manner described above.

If shares are subscribed for at a time when the Gross NAV per share is greater than the High Water Mark per share, an amount equal to 10% of the difference shall be allocated to each such share which shall constitute an "Equalization Credit" in respect of that share. At the end of the fiscal year, the Equalization Credit shall be applied as a credit against any Performance Fee payable in respect of such share. Where the Equalization Credit exceeds the amount of the Performance Fee owed on a share, the excess shall be used to purchase additional shares on behalf of the respective shareholder ("Equalization Shares") and such Equalization Shares shall be subject to any Redemption Fee as if subscribed for on the same date as the relevant share. On a redemption of relevant shares during the fiscal year, the remaining Equalization Credit which is left outstanding and which corresponds to such shares being redeemed shall be paid to the shareholder in addition to and with the redemption proceeds otherwise payable. The Equalization Credit is payable to account for the fact that the Net Asset Value per share has been reduced to reflect an accrued Performance Fee to be borne by existing shareholders and serves as a credit against Performance Fees that might otherwise be payable by the Fund but that should not, in equity, be charged against the shareholder making the subscription because, as to such shares, no favorable performance has yet occurred. The Equalization Credit ensures that all holders of shares have the same amount of capital at risk per share. Only shares that appreciate in value from their base Gross NAV will be charged a Performance Fee and all shares have the same Net Asset Value.

In addition, the MBG IMI shall receive sales fees as follows:

<b>Investment Size</b>	<b>Sales Fee</b>
Below Php500,000	5%
Php500,000 to Php1,000,000	3%
Greater than Php1,000,000	1%

The above sales fees shall be charged on top of each investment, with the fees subject to VAT. MBG IMI shall appoint eligible SEC Certified Investment Solicitors to distribute for sale the shares of the Fund.

The Fund will pay or reimburse MBG IMI for all costs and expenses associated with the Fund's operations and with regard to its establishment, organizational and offering expenses. The Fund will be responsible for all of the necessary expenses of its operation, including, without limitation, the Fund's annual fees due to regulatory authorities, brokerage commissions, research expenses, quotation and news service expenses, information technology hardware, software and service expenses, legal and auditing expenses, accounting, fund administration, fees and charges of custodians, investment related consultants and other service provider expenses, investment related travel costs, expenses incurred with respect to the preparation, duplication and distribution to shareholders of Fund documents, reports and other financial information and similar ongoing operational expenses. The Fund will reimburse duly appointed service providers and any affiliate retained by MBG IMI for all out-of-pocket expenses incurred on behalf of the Fund.

MBG IMI may, in its discretion, effectively waive all or part of its fees with respect to any investor by rebate or otherwise.

#### Custodian Bank Agreement

Under the agreement, the Custodian Bank shall receive, safe keep, record, and account for the proceeds of the sale of the shares of stock of the Fund. The Custodian Bank shall, likewise, hold all the certificates representing the investments made by the Investment Manager in behalf of the Fund in accordance with the regulations of the SEC.



## Stock Transfer Agent Agreement

Under the agreement, the Stock Transfer Agent shall render the following services:

1. File the reports pertaining to the Fund as may be required by SEC and other government entities;
2. Prepare the list of stockholders for all regular or special meetings of the Fund's stockholders;
3. Prepare and mail out all notices, reports, and circulars to all stockholders upon prior request of the Fund or Investment Manager;
4. Prepare and mail dividend checks;
5. Prepare and issue stock certificates; and
6. Register all liens constituted on the shares of stock of the Fund.

## **Executive Compensation**

The Directors and Officers of the Fund each receive Ten Thousand Pesos (Php10,000.00) per diem per meeting. For 2016, the estimated total compensation for directors and officers of the Fund is Nine Hundred Sixty Thousand Pesos (Php960,000.00).

There are no other arrangements between the Fund and its directors.

The Fund has no employment contracts and termination of employment and change-in-control arrangements.

There are no warrants or options outstanding or repricing thereof.

## **Security Ownership of Certain Record and Beneficial Owners as of January 31, 2017**

<b>Title of Class</b>	<b>Name &amp; Address of Owner / Relationship with Issuer</b>	<b>Name of Beneficial Owner &amp; relationship with record Owner</b>	<b>Citizenship</b>	<b>Number of shares held</b>	<b>Percent of Class</b>
Common	Unionbank Trust Account No. PH 3P172 346 Union Bank of the Philippines Trust & Investments Services Group 23/F Union Bank Plaza Building Meralco Ave. cor. Onyx & Sapphire Streets Ortigas Center, Pasig City 1605 Philippines / Director	Washington Agri Ventures & Real Estate Development Corporation	Filipino	1,000,000	90.88%
Common	Edilberto B. Bravo 201 San Rafael Street Ayala Alabang Village Muntinlupa City 1780 Philippines / Director	Edilberto B. Bravo	Filipino	100,000	9.09%

The above persons paid Php100.00 per share for the shares they own in the Fund. These persons are designated to vote for the shares indicated across their name in the above table during stockholders' meetings.

The original proponents have agreed not to sell, transfer, convey, encumber or otherwise dispose of their shares of the MBG EIFI within twelve (12) months from the approval by the SEC of its secondary registration.

Robert B. Ramos, Trust Officer of Union Bank of the Philippines Trust & Investments Services Group shall vote the shares Unionbank Trust Account No. PH 3P172 346 FAO Washington Agri Ventures & Real Estate Development Corporation.

There are no arrangements that may result in a change in control of the Fund.

Upon the start of commercial operations, all the assets of the Fund, namely those held in Unionbank Trust Account No. PH 3P172 359 and Unionbank Tektite Branch Current Account No. 002060038700, shall be transferred to and held by the Deutsche Bank AG, Manila Branch as custodian bank.

### Security Ownership of Management as of January 31, 2017

Title of Class	Name of Record Owner	Name of Beneficial Owner	# of shares / Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Edilberto B. Bravo	Edilberto B. Bravo	100,000	Filipino	9.09%
Common	Evelyn R. Singson	Evelyn R. Singson	50	Filipino	0.00%
Common	Rafael S. Algarra, Jr.	Rafael S. Algarra, Jr.	50	Filipino	0.00%
Common	Paul Patrick M. Carague	Paul Patrick M. Carague	50	Filipino	0.00%
Common	Michael Jack B. Garcia	Michael Jack B. Garcia	50	Filipino	0.00%

There are no securities to be registered that are being offered for the account of security holders.

### Extent of Participation or Ownership of Members of the Board of Directors

Subscriber	No. of Shares	Amount Subscribed	Additional Paid-in Capital	Total Peso Amount Paid
Edilberto B. Bravo	100,000	100,000.00	9,900,000.00	10,000,000.00
Evelyn R. Singson	50	50.00	4,950.00	5,000.00
Rafael S. Algarra, Jr.	50	50.00	4,950.00	5,000.00
Paul Patrick M. Carague	50	50.00	4,950.00	5,000.00
Michael Jack B. Garcia	50	50.00	4,950.00	5,000.00
Totals	100,200	100,200.00	9,919,800.00	10,020,000.00

### Holders

The incorporators and directors are holders of the MBG EIFI shares as shown below:

Name	Nationality	Subscribed Amount	Additional Paid-in Capital	Total Peso Amount Paid
Unionbank Trust Account No. PH 3P172 346	Filipino	1,000,000.00	99,000,000.00	100,000,000.00
Edilberto B. Bravo	Filipino	100,000.00	9,900,000.00	10,000,000.00
Evelyn R. Singson	Filipino	50.00	4,950.00	5,000.00
Rafael S. Algarra, Jr.	Filipino	50.00	4,950.00	5,000.00
Paul Patrick M. Carague	Filipino	50.00	4,950.00	5,000.00
Michael Jack B. Garcia	Filipino	50.00	4,950.00	5,000.00
Ma. Angeles R. Garcia	Filipino	50.00	4,950.00	5,000.00
Gerardo C. Garcia	Filipino	50.00	4,950.00	5,000.00
Ramon C. Garcia	Filipino	50.00	4,950.00	5,000.00
Obed Nehemiah D. Pantoja	Filipino	50.00	4,950.00	5,000.00
Totals		1,100,400.00	108,939,600.00	110,040,000.00

There are no shares of the Fund that are designated to be sold to specified persons.

The Fund has ten (10) shareholders as of January 31, 2017, all of whom are identified in the immediately preceding table. There were no underwriters for the sale of shares to the aforementioned shareholders. All shares were sold for cash at a price of One Hundred Peso (Php100.00) per share.

The Fund does not claim any exemption from the registration of its shares with the SEC.

## **Certain Relationships and Related Transactions**

There is no significant employee who is expected by the Fund to make a significant contribution to the business. There are no employment contracts, termination of employment and change-in-control arrangements between the Fund and its directors and officers. There are no compensatory plans or arrangements between the Fund and any of its executive officers.

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers or persons nominated or chosen by the Fund to become directors or executive officers.

There are no material transactions with or involving the Fund or any of its subsidiaries in which a director, executive officer, or stockholder owns ten percent (10%) or more of the total outstanding shares, and any member of their immediate family had or is to have a direct or indirect material interest.

There are no transactions during the last two (2) years or proposed transactions, to which the Fund was or is to be a party in which any of the Fund's directors, executive officers or stockholders had or is to have a direct or indirect material interest.

There are no transactions by any security holder named in response to Part IV, paragraph C of Securities Regulation Code.

There are no transactions with promoters and there are no transactions that involve the nature and amount of anything of value (including money, property, contracts, options or rights of any kind) received or to be received by each promoter, directly or indirectly, from the Issuer and the nature and amount of any assets, services or other consideration received or to be received by the Fund. There are no transactions as to any assets acquired or to be acquired from a promoter.

## **Compliance with the Investment Company Act**

In compliance with the requirements of the R.A. No. 2629, otherwise known as the Investment Company Act of 1960 or ICA, and the Rules Governing the Act, the Fund is organized as a stock corporation with a minimum subscribed and total paid-in capital of One Hundred Ten Million Forty Thousand Pesos (Php110,040,000).

All the Members of the Board of Directors of the Fund are Filipino citizens and all shares of its capital stock are common and voting shares. The Articles of Incorporation of the Fund provide for the waiver of pre-emptive rights of stockholders.

## **Corporate Governance**

All of the directors and officers of the Fund shall have attended seminars on corporate governance given by SEC-accredited providers.

The Board of Directors of the Fund shall review and update its Manual on Corporate Governance at least annually to ensure that it is in line with global leading practices and principles on good corporate governance and with regulations of the SEC. The Board of Directors shall likewise accomplish a Self-Evaluation Questionnaire to determine its and top management's level of compliance with the Manual on Corporate Governance.

## FINANCIAL INFORMATION

The MBG EIFI has not commenced commercial operation as of January 31, 2017. The Fund's summary of interim financial information as of August 31, 2016 is given in the following tables:

### **MBG EQUITY INVESTMENT FUND, INC.**

#### **STATEMENT OF FINANCIAL POSITION**

**AUGUST 31, 2016**

#### **ASSETS**

##### **Current Assets**

Cash and cash equivalents	₱	108,053,030	98.1%
Financial assets at fair value through profit or loss (FVPL)		2,009,400	1.8%
Other current assets		55,078	0.1%

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<b>TOTAL ASSETS</b>	₱	<b>110,117,508</b>	<b>100.0%</b>
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#### **LIABILITIES AND EQUITY**

##### **Current Liability**

Accounts payable and accrued expenses	₱	63,592	0.1%
<b>Total Liability</b>		<b>63,592</b>	<b>0.1%</b>

##### **Equity**

Capital stock		1,100,400	1.0%
Additional paid-in capital		108,939,600	98.9%
Retained earnings		13,916	0.0%
<b>Total Equity</b>		<b>110,053,916</b>	<b>99.9%</b>

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<b>TOTAL LIABILITIES AND EQUITY</b>	₱	<b>110,117,508</b>	<b>100.0%</b>
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**MBG EQUITY INVESTMENT FUND, INC.**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD FEBRUARY 18, 2016 TO AUGUST 31, 2016\***

<b>INVESTMENT INCOME</b>			
Interest income	₱	1,268,127	94.2%
Dividend income		78,009	5.8%
		<u>1,346,136</u>	<u>100.0%</u>
<b>EXPENSES</b>			
Regulatory and filing fees		820,718	-61.0%
Professional fees		165,000	-12.3%
Miscellaneous		8,958	-0.7%
		<u>994,676</u>	<u>-73.9%</u>
<b>OTHER INCOME (EXPENSE)</b>			
Trust fees		(84,755)	-6.3%
Bank interest income		4,693	0.4%
Unrealized loss on financial assets at FVPL		(3,852)	-0.3%
		<u>(83,914)</u>	<u>-6.2%</u>
<b>INVESTMENT INCOME BEFORE INCOME TAX</b>		<u>267,546</u>	<u>19.9%</u>
<b>PROVISION FOR FINAL TAX</b>		<u>253,630</u>	<u>-18.8%</u>
<b>NET INVESTMENT INCOME</b>		<u>13,916</u>	<u>1.0%</u>
<b>OTHER COMPREHENSIVE INCOME</b>		<u>–</u>	<u>Nil</u>
<b>TOTAL COMPREHENSIVE INCOME</b>	₱	<u>13,916</u>	<u>1.0%</u>

\* The Fund was registered with the Philippine Securities and Exchange Commission on February 18, 2016 and has not started its commercial operations as at August 31, 2016.

**NAVPS = Php100.01**

For the period since its incorporation to August 31, 2016, the MBG EIFI recorded total investment income of Php1,346,136 consisting of Php1,268,127 of interest income and Php78,009 of dividend income. Total expenses were Php994,676 consisting of Php820,718 of regulatory and filing fees, Php165,000 of professional fees and Php8,958 of miscellaneous expenses. Other income/expenses included trust fees of Php84,755, bank interest income of Php4,693 and unrealized loss on financial assets at FVPL of Php3,852. Total comprehensive income for the period was Php13,916.

Total equity contribution from founding shareholders amounted to Php110,040,000 divided into Php1,100,400 from subscriptions to common shares at par value of Php1.00 plus additional paid in capital of Php108,939,600. The NAVPS at the end of the period was Php100.01.

The Fund is yet to obtain its secondary license to carry on the business of an open-end investment company which is required to have a minimum subscribed and paid-in capital of at least Php50,000,000. As of January 31, 2017, the Fund is compliant with such regulation since 1,100,040 shares out of its 4,401,600 authorized capital stock or twenty-five percent (25%) with a Php1.00 par value have been issued and outstanding. For the amount received in excess of par, this was recognized under Additional Paid-In Capital.

If the Fund were to raise new capital on top of its authorized capital, it would only be because there is a large demand for its shares. By regulation, the Fund's operating expenses cannot exceed ten percent (10%) of its average investment fund or net worth as shown in the previous year's audited financial statements. More importantly, apart from standard operating expenses, permits and licenses, the Fund's only other major expense is the management fee plus VAT that is payable to MBG IMI.

## PART II - INFORMATION INCLUDED IN REGISTRATION STATEMENT BUT NOT REQUIRED IN PROSPECTUS

### Other Expenses of Issuance and Distribution

Estimated Expenses for the Registration of the MBG Equity Investment Fund, Inc. (hereinafter referred to as “the MBG EIFI” or “the Fund”) in Philippine Pesos

<b>Expense Item</b>	<b>Amount</b>
Registration Fee	Php444,561.60
Business License and Permits	365,604.10
Documentary Stamp Taxes	5,502.00
Professional Fees	151,200.00
Printing of Prospectus	30,000.00
Publication	41,000.00
<b>Total</b>	<b>Php1,037,867.70</b>

### Applicable Philippine Laws

#### Investment Company Act of 1960

The business of investment company/companies is primarily regulated by the Investment Company Act of 1960 and the SEC rules and regulations governing investment companies. Subject to the exceptions under the laws, an investment company is any issuer, which is or holds itself out as being engaged primarily, or proposes to engage primarily in the business of investing, reinvesting, or trading in securities. An investment company is either an open-end company or a closed-end company.

On one hand, an open-end company is an investment company that offers for sale or has outstanding redeemable security, of which it is the issuer. On the other hand, a closed-end company is any investment company other than an open-end company.

To be incorporated as an investment company, the following requirements should be complied with:

1. Minimum subscribed and paid-in capital of 50,000,000.00 Pesos provided that the subsequent funds to be sponsored by a mutual fund management company may be incorporated with a lower minimum subscribed and paid-in capital, the amount for which is to be prescribed by the SEC;
2. All shares of stock should be common and voting shares. In the case of open-end companies, the articles of incorporation thereof should expressly deny the pre-emptive rights of stockholders;
3. All the members of the board of directors must be Filipino citizens.

The Investment Company Act, likewise, requires the registration of the investment company and of the shares of the investment company itself and to place and maintain its securities and similar investments in the custody of:

- a. a duly organized local commercial bank of good repute; or
- b. a company that is a member of a securities exchange as defined in the Securities Regulation Code subject to such rules and regulations of the Securities and Exchange Commission; or
- c. Such registered company, but only in accordance with such rules and regulations or order as the Commission may from time to time prescribed for the protection of investors.

## Rights of Minority Shareholders

The right of a shareholder to institute on behalf of the corporation in a derivative suit is recognized by Philippine law. Derivative suits may be filed where the corporation itself is unable or unwilling to institute the necessary proceedings to redress a wrong committed against the corporation or to vindicate corporate rights. The regular courts have original and exclusive jurisdiction over intra-corporate controversies.

Shareholders have the right to inspect the records of the corporation. These records include minutes of all meetings of the board of directors and of the shareholders, and records of all business transactions of the corporation. However, the right of inspection may be denied if the shareholder seeking to examine the corporate records has improperly used any information secured through any prior examination of corporate records, or was not acting in good faith or with a legitimate purpose in making his demand for inspection.

## Management

Corporate powers are exercised, all business conducted, and all properties of a corporation are controlled and held by the board of directors. However, a corporation may enter into a management contract with another corporation, for a period not exceeding five (5) years for any one term, subject to the approval of the board of directors and stockholders owning at least a majority (or in certain instances, two-thirds) of the outstanding capital stock of both the managing and managed corporations. The nature of an investment company's business, however, makes it imperative for the corporation to enter into a management contract with an investment manager/adviser. The Investment Company Act lays down the requirements for such kind of contract as follows:

1. The contract has been approved by the vote of a majority of the outstanding voting securities of the investment company;
2. The contract precisely described all compensation to be paid thereunder;
3. The contract shall continue in effect for a period more than two years from the date of its execution, provided that such continuance is specifically approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company;
4. The contract provides in substance that it may be terminated at any time without the payment of any penalty by the board of directors of the company or by vote of two-thirds ( $\frac{2}{3}$ ) of the outstanding voting securities of such company or not more than sixty days' written notice to the investment adviser; and
5. The contract provides in substance for the automatic termination in the event of assignment thereof by the investment adviser/manager.

Unless otherwise provided by the Corporation Code, the articles of incorporation or By-laws of the corporation, an act of the majority of the directors present in a meeting with a quorum shall be valid as a corporate act. Certain corporate acts, however, may only be effected with the approval of stockholders representing at least two-thirds ( $\frac{2}{3}$ ) of the outstanding capital stock at a shareholders' meeting convened for the purpose. Matters requiring such shareholders' approval include, but are not limited to:

- The amendment of the articles of incorporation;
- The removal of directors;
- The sale, lease, exchange, mortgage, pledge, or other disposition of all or a substantial part of the assets of the corporation; and
- Investment of corporate funds in any other corporation, or business, or for any purpose other than primary purpose for which the corporation was organized.

Each member of the board of directors, who must hold at least one (1) share of the corporation, is elected for a one (1) year term during the annual meeting of stockholders of the corporation.

Each share of stock is entitled to one vote during shareholder's meeting. However, in the election of directors, each shareholder is entitled to such number of votes as is equal to the product of the number of shares owned by him and the other number of directors to be elected. The shareholder may cumulate his votes in favor of one candidate or distribute these votes in such proportion and amount between or among as many of the candidates as he may see fit. The election of directors may only be held at a meeting convened for that purpose at which shareholders representing a majority of outstanding capital stock are present in person or by proxy. However, any vacancy in the board, other than by removal or expiration of term, may be filled by the majority of the remaining directors if still constituting a quorum.

### Accounting and Auditing

Corporations are required to file copies of their annual financial statements with the SEC. Shareholders are entitled to request copies of the most recent financial statements of the corporation which shall include a balance sheet as of the end of the last tax year and profit and loss statement, statement of changes in equity, statement of cash flows and notes to the financial statements approved at least annually by the board of directors or by vote of a majority of the outstanding voting securities of such company for that year. The board of directors is required to present to shareholders at every annual meeting a financial report of the operations of the corporation for the preceding year. This report is required to include audited financial statements. The audited financial statements of the corporation would be reported in Philippine Pesos in, the MBG EIFI's functional currency, in accordance with PAS 21. The MBG EIFI shall apply the mark-to-market method pursuant to PAS No. 39 in valuing its security holdings. Mark-to-market valuation requires that investment portfolios are valued at their theoretical liquidation values based on the latest available market prices.

### Taxation

*The MBG Equity Investment Fund, Inc.*

1. 30% corporate income tax on taxable income derived from all sources within and without the Philippines;
2. Final withholding tax of 20% on gross interest from Philippine currency bank deposits and yield from deposit substitutes, trust funds and similar arrangement;
3.  $\frac{1}{2}$  of 1% stock transaction tax every time investments by the MBG Equity Investment Fund, Inc. in shares of stock of publicly listed companies are sold on the Philippine Stock Exchange

### *Shareholder*

1. Tax on cash dividends received from the Fund by:
  - a. domestic corporations and resident foreign corporation: None.
  - b. individual citizen and individual resident alien: 10%
2. Documentary stamp tax on the issuance of shares by the MBG Equity Investment Fund, Inc. at the rate of:
  - a. One Philippine Peso (Php1.00) for every Two Hundred Pesos (Php200.00) of par value for primary sales offerings; and
  - b. Seventy-five centavos (Php0.75) for every Two Hundred Pesos (Php200.00) of par value for secondary sales offerings.



## SIGNATURE

Pursuant to the requirements of the Code, this registration statement is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in Makati City on \_\_\_\_\_.

By:

**Edilberto B. Bravo**  
Chairman  
TIN: 104-090-678

**Evelyn R. Singson**  
President  
TIN: 108-783-149

**Michael Jack B. Garcia**  
Chief Financial Officer  
TIN: 220-246-176

**Sebastian Arsenio R. Lacson**  
Treasurer & Comptroller  
TIN: 131-285-725

**Gerardo Maximo V. Francisco**  
Corporate Secretary  
TIN: 182-029-558

**Paul Patrick M. Carague**  
Chief Accounting Officer  
TIN: 170-237-423

**Rafael S. Algarra, Jr.**  
Director  
TIN: 161-601-433

SUBSCRIBED AND SWORN to before me this day \_\_\_\_\_,  
at Makati City, affiants exhibiting to me their Passports, as follows:

Name	Passport No.	Date/Place of Issue
Edilberto B. Bravo	EC1584514	9-Jul-14 / DFA Manila
Evelyn R. Singson	EC0402389	25-Feb-14 / DFA Manila
Michael Jack B. Garcia	EB9430963	22-Oct-13 / DFA Manila
Sebastian Arsenio R. Lacson	EB6865734	3-Dec-12 / DFA Cebu
Gerardo Maximo V. Francisco	EB8062915	8-May-13 / DFA Manila
Paul Patrick M. Carague	EC3089910	5-Jan-15 / DFA Manila
Rafael S. Algarra, Jr.	EB8073985	9-May-13 / DFA Manila

known to me and to me known to be the same persons who executed the foregoing SEC Form 12-1, and acknowledged to me that the same is their free and voluntary act and deed and that of the corporation, which they represent.

WITNESS MY HAND AND SEAL on the date and at the place first above written.

Notary Public

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 20 \_\_\_\_.