

Fund Managers Report

For the month of April, shares lost 1.1% to 127.08, underperforming the PSEi which gained 0.4%. Since the Fund's inception, shares have gained 9.5%, outperforming the PSEi which lost -9.1% for the same period. This month, the Philippines saw net inflows of US\$193m, however, excluding Ayala Corp bond conversions to Ayala Land, there were outflows of US\$11.9m, marking the first net outflows of 2019. (*Source: Deutsche Bank Philippines*) Additionally, the BSP has announced cuts in reserve requirement rate (RRR) from 18% to 16% over the next couple months. Furthermore, the interest rates were cut 25 bps to support slowing GDP growth.

First quarter earnings of 2019 have come out in the past few weeks with our holding's weighted average earnings growth at 15.9% YoY, outperforming PSEi which had an earnings growth of about 6.8% YoY. It was a mixed bag, with many companies surpassing expectations, while a few struggled to match their earnings in previous years.

One of our top earners is our cement company with EPS growing 58.7% YoY due to an increase in sales volumes and higher average selling prices. As infrastructure continues to be a focus in both the public and private sector, cement demands will continue to increase. Recently, news has come out that San Miguel Corporation has purchased a majority stake in Holcim Philippines at a valuation estimated to be \$2.15bn. The enterprise value per ton of cement of the deal stands at \$215/ton. This is very similar to the valuation of our cement company that has an enterprise value per ton of \$224/ton. Even though both companies have similar valuations on an EV per ton basis, our company has newer facilities and is considerably more profitable.

In contrast to our cement company, our steel company in Vietnam has had a significant decrease in earnings last quarter. The company's EPS dropped 50% YoY mainly due to the fluctuations in steel prices which can be attributed to the US-China trade war. In the past two years, the company has begun implementing alternative strategies to reduce the risk of steel price volatility by shifting to more stable, higher margin business. Despite these concerns, the stock is still trading at 5.8x PE and 0.7x PB, providing a margin of safety.

Our portfolio remains strong. From time to time, companies go through rough patches, like our companies who aren't immune to fluctuations. Jamie Dimon once said, "No one has the right to not assume that the business cycle will turn! Every five years or so, you have got to assume that something bad will happen." We view these cycles temporary and instead use them to find the best investment opportunities to buy great companies at discounted prices.

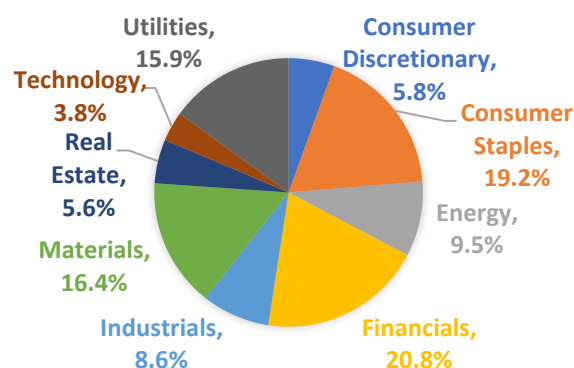
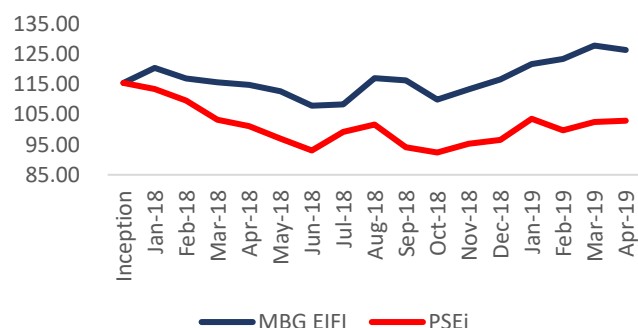
Performance MBG Equity Investment Fund, Inc. (MBG EIFI), net of all fees (in PHP)

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.0%	2.3%	2.9%	-1.1%									6.4%
PSEi ¹	7.3%	-3.8%	2.8%	0.4%									3.2%

¹ Philippine Stock Exchange Index (PCOMP Index);

Portfolio Characteristics

	MBGEIFI	PSEi
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.2%
Correlation to PSEi	0.32	1.0
Beta	0.20	1.0
Stock holdings	87.1%	100.0%
Large cap (> \$3bln)	19.1%	90.3%
Mid cap (\$500mln to \$3bln)	57.7%	%.7
Small cap (< \$500mln)	22.7%	Nil
Philippines allocation	81.3%	100.0%
Vietnam allocation	18.7%	Nil

Sector Allocation

MBG EIFI Performance vs. Benchmark (in PHP)


*Rescaled to 115.46 on 8 January 2018 (NAV of fund at inception date)

Class A Fund Statistics, since inception (08Jan18)

(net of all fees)	MBG EIFI	PSEi
Year-to-date	9.4%	6.1%
3 months	9.4%	6.1%
6 months	9.7%	8.9%
1 year	10.4%	-0.7%
Inception (cumulative)	10.5%	-9.4%
Inception (annualized)	8.5%	-7.8%
Months with gains	53.3%	46.7%
Volatility of returns p.a.	10.4%	17.4%
1-yr Sharpe ratio (RFR 6%)	0.42	-0.39

Disclaimer: This report has been prepared by MBG Equity Investment Fund, Inc. (MBG EIFI) for information purpose only. It should not be considered as an offer to sell, or a solicitation of an offer to buy. All reasonable care has been taken to ensure that the information contained therein is not false or misleading, but no representation is made as to its accuracy or completeness. From time to time, MBG EIFI, its affiliated companies and any of its or their officers may have an interest in any transaction, securities or commodities referred to in this report. Also, MBG EIFI, or its affiliated companies, may perform services, for, or solicit business from, any company referred to in this report. Past performance is not necessarily a guide to future performance; the price of shares may go down as well as up and cannot be guaranteed. Investors should read the Prospectus before investing.

Fund Information

Inception	January 8, 2018
Management fee	2%
Performance fee	10% with High Water Mark
Minimum subscription	PHP 100,000
Dealing	Daily
Subscription notice	5 business days
Redemption notice	7 calendar days
Lock-up period and penalty	1 year; 5% penalty
Fund AUM	PHP 176 million
FATCA categorization/ GIIN	Registered deemed-compliant foreign financial institution under Model 1 IGA/ 6XW2RW.99999.SL.608
Investment manager	MBG Investment Management, Inc. (Licensed Investment Company Adviser) SEC C.R. No. 01-2017-00284
Custodian	Deutsche Bank AG
Auditor	SGV & Co. (Ernst & Young Ltd)
Legal advisors	Mata-Perez & Francisco
Stock Transfer Agent	BDO Unibank
Fund Manager	Joseph Alvin C. Tan MBG Equity Investment Fund, Inc. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 956 7254 Fax: +63 2 956 7065

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