

#### Fund Manager's Report

For the month of August, shares lost -2.6% to 117.69, underperforming the PSEi which lost 0.7%. Since the Fund's inception, shares have gained 1.9%, outperforming PSEi which lost -6.0% for the same period.

The PSEi closed below 8,000 index points (-0.8%) in August, amid escalating US-China trade tensions as President Trump went ahead with planned tariffs, on-going conflicts in Hong Kong, and on the local front, deliberations on POGO policy.

Domestically, inflation further slowed to 1.7% as consumer prices continued to fall. The BSP cut the RRP by 25 bps to 4.25%, as weaker global economic prospects continue to temper the inflation outlook, which should support domestic demand. Meanwhile, the property sector sold off after the Chinese government indicated its desire to ban all online gambling in the country. PAGCOR as well announced it would be suspending new POGO applications pending a review of the sector. Despite President Duterte's support, uncertainty still surrounds the future of the industry, as a considerable amount of office portfolio is taken up by POGOs. Current POGO take-up YTD comprises 35% of total office space demand. (Source: Deutsche Bank Philippines)

We recently looked at the new developments up in Clark, the site of this year's Southeast Asia Games. Since breaking ground in March of 2018, the construction of the whole New Clark City Sports Hub as well residential zones and government offices, is already over 90% complete. This is no easy feat considering not two years ago, the land was still a greenfield. Now if this demonstrates the capability for these projects to be accomplished both efficiently and of top-quality, it asks the question what then can they achieve in the next 10 years?

One of our companies is poised to take advantage of this and has a joint venture with the Bases Conversion and Development Authority (BCDA). It has plans to invest over Php 20bln over the next five years for projects in the area of Clark to transform the 288-hectare property into a green city, with land dedicated to an industrial park and for mixed-use.

In addition, our power company has several major projects that have started to take off. They recently ended the engineering, procurement and construction (EPC) phase of its LNG terminal project and concluded to partner with a Japanese corporation, known for the construction of approximately 30% of global LNG production. Now, they continue to move forward as they are in talks with several gas suppliers and buyers for short-term supply contracts for the years 2021-2023. They are also currently conducting a study to modify their existing jetty to allow LNG to be brought in via a floating storage regasification unit (FSRU) as they plan to expand the reach of natural gas to Vis-Min islands. Other projects include the development of a pumped-storage facility and a run-of-river hydroelectricity power plant in Mindanao.

All of our companies are focused on domestic growth and have the market dominance to take advantage of the long-term benefits of the country's consumption, government spending and regional development. Warren Buffett said it best - "The investor of today does not profit from yesterday's growth." Taking a position in a sound supply chain network throughout the archipelago to capture rising incomes and changes in consumer preferences is key to capitalizing on this country's evolution and success.

## MBG Equity Investment Fund, Inc.

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

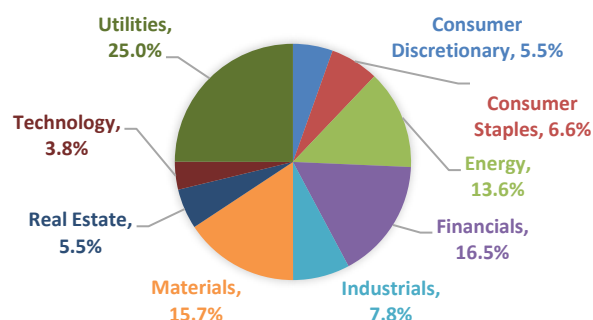
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.4%	1.4%	3.6%	-1.1%	-2.7%	-1.0%	-0.8%	-2.6%					0.9%
PSEi TR <sup>1</sup>	7.3%	-3.7%	3.2%	0.7%	0.5%	0.5%	0.6%	-0.7%					8.5%

<sup>1</sup> Philippine Stock Exchange Index Total Return;

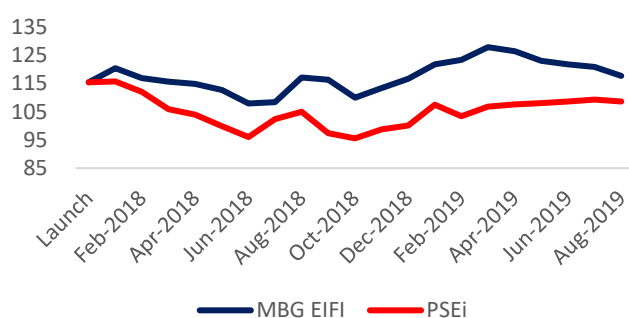
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.7%	+/- 3.1%
Correlation to PSEi	0.30	1.0
Beta	0.16	1.0
Stock holdings	89.1%	100.0%
Large cap (> \$3bln)	28.7%	98.6%
Mid cap (\$500mln to \$3bln)	54.3%	1.4%
Small cap (< \$500mln)	17.1%	Nil
Philippines allocation	77.0%	100.0%
Vietnam allocation	23.0%	Nil

### Sector Allocation



### MBG EIFI Performance vs. Benchmark (in PHP)



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

### Class A Fund Statistics, since launch (08Jan18)

(net of all fees)	MBG EIFI	PSEi TR
Year-to-date	0.9%	8.5%
3 months	-4.3%	0.4%
6 months	-4.6%	4.9%
1 year	0.5%	3.4%
Launch (cumulative)	1.9%	-6.0%
Launch (annualized)	1.2%	-3.7%
Months with gains	40.0%	55.0%
Volatility of returns p.a.	9.8%	16.2%
1-yr Sharpe ratio (RFR 6%)	n/a	n/a

### MBG Equity Investment Fund, Inc.

#### Fund Information

Launch date	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 168 million
FATCA categorization/ GIIN	Registered deemed-compliant foreign financial institution under Model 1 IGA/ 6XW2RW.99999.SL.608
Investment manager	MBG Investment Management, Inc. (Licensed Investment Company Adviser) SEC C.R. No. 01-2017-00284
Custodian	Deutsche Bank AG
Auditor	SGV & Co. (Ernst & Young Ltd)
Legal advisors	Mata-Perez & Francisco
Stock Transfer Agent	BDO Unibank
Fund Manager	Joseph Alvin C. Tan MBG Equity Investment Fund, Inc. <a href="mailto:info@mbgfunds.com">info@mbgfunds.com</a> <a href="http://www.mbgfunds.com">www.mbgfunds.com</a> Tel: +63 2 956 7254 Fax: +63 2 956 7065