

Fund Manager's Report

For the month of July, shares lost -0.8% to 120.83, underperforming the PSEi TR which gained 0.6%. Since the Fund's launch, shares have gained 4.7%, outperforming PSEi TR which lost -5.3% for the same period. The PSEi gained (+0.6%) in July as expectations of rate cuts lifted investors' spirits. Amid easing July inflation, now at 2.4%, as prices of heavily-weighted food and non-alcoholic beverages decelerated, the central bank cut interest rates by 25 bps. Meanwhile, the Philippine economy expanded at its slowest pace since 2015. GDP grew by 5.5% last quarter, lower than the 5.9% median estimate of economists. This is attributed to the delayed enactment of the national budget, combined with the nearly 2-month ban on new public works ahead of the May mid-term elections, as well as a deceleration of household spending, which accounts for a large share of economic growth. Globally, the US-China trade war continues to be a subject of concern, as China vowed to retaliate for the new Trump tariffs. Nevertheless, discussions are still in the works, showing their openness to meeting halfway on a potential trade deal.

There is this excellent Netflix show, *Money Heist*, which I highly recommend and wanted to use as the inspiration for this month's quote. It brings forth the concept of *Aikido*, which is a Japanese form of martial arts that essentially uses an opponent's attack momentum against them to redirect their strength. In other words, to use the enemy's force to your advantage. Consequently, we will not be intimidated by the market's volatility or global issues. While people are panicking and selling off across the board, we will be ready to use it to our advantage. There will always be adversity, what makes all the difference is how we respond to it.

We are now over halfway through the year. 2Q earnings are coming in and we're pleased with what we see. The portfolio's EPS growth YoY was a whopping 19.4%. Our cement company delivered a +44% YoY increase in 1H19 net income, driven by strong double-digit volume growth and better cement pricing. While already impressive, the growth would have been much stronger were it not for the delayed national budget, which caused the entire industry to slacken, as well as higher costs attributable to imported clinker and power costs as a result of last April's earthquake. We expect these costs to ease in 2H as they shift away from imported clinker and prices of power fall. As a result, we're excited for its prospects as the expansion timeline remains in full force, capable of delivering a 49% increase in capacity as early as 1H21. It is also well-positioned to serve a growing market, given that it has the lowest production cost among its peers, considerable pricing power, not to mention room for volume growth as government spending catches up.

Another strong performer, our holding company's power subsidiary, reported an 86% EPS growth YoY for the 1H19 as its income increased by 36% due to strong growth in its power sales, as well as forex gains. In addition, it just had its application approved to have the company's LNG terminal project declared as nationally significant, which should make it easier to secure permits.

Our construction company reported a 71% EPS growth YoY in 1H19 in spite of slow 1Q, which is usually a low season for the construction sector. 1Q2019 GPM was at a high of 19%, as construction of a refinery provided higher margins, and remained unaffected from a sluggish housing market given its minimal exposure to residential construction. However, a major contributor came from the one-off cash gain from selling off its 36% stake in a subsidiary to a strategic partner. This same partner recently purchased our company's convertible bonds and converted them to equity. This opens up the company to possibly better margins, transfer of knowledge, and synergies. Going into 2Q, revenue is expected to grow 30% YoY as the weaker-than-normal construction sector improves.

These are to name a few of our winners, and the results seen show our strategy is working. As we enter into the second half of the year, amidst all this volatility, we'll be on the lookout for some new gems.

MBG Equity Investment Fund, Inc.

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

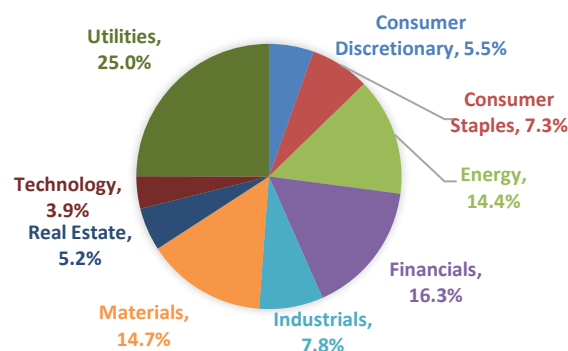
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.4%	1.4%	3.6%	-1.1%	-2.7%	-1.0%	-0.8%						3.6%
PSEi TR ¹	7.3%	-3.7%	3.2%	0.7%	0.5%	0.5%	0.6%						9.2%

¹ Philippine Stock Exchange Index Total Return;

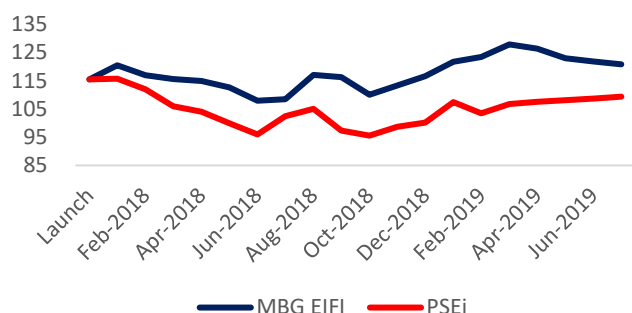
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.8%	+/- 3.0%
Correlation to PSEi	0.31	1.0
Beta	0.18	1.0
Stock holdings	93.6%	100.0%
Large cap (> \$3bln)	28.8%	98.6%
Mid cap (\$500mln to \$3bln)	54.0%	1.4%
Small cap (< \$500mln)	17.2%	Nil
Philippines allocation	77.2%	100.0%
Vietnam allocation	22.8%	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	3.6%	9.2%
3 months	-4.4%	1.6%
6 months	-0.7%	1.8%
1 year	11.5%	6.7%
Launch (cumulative)	4.7%	-5.3%
Launch (annualized)	3.0%	-3.5%
Months with gains	42.1%	57.9%
Volatility of returns p.a.	10.2%	16.2%
1-yr Sharpe ratio (RFR 6%)	0.54	0.05

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 165 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