

## Fund Manager's Report

For the month of September, shares lost 1.7% to 115.74, outperforming the PSEi TR which lost 2.5%. Since the Fund's inception, shares have gained 0.2%, outperforming PSEi which lost -8.3% for the same period. The PSEi posted its worst month since February amid trade tensions, geopolitical concerns and the impeachment inquiry on President Trump, which continued to weigh on the outlook of the global economy. Overall, there seems to be a lot of negative sentiment and market uncertainty. However, Warren Buffett once said "You know, people talk about this being an uncertain time. You know, all the time is uncertain. I mean, it was uncertain back in—in 2007, we just didn't know it was uncertain. It was uncertain on September 10th, 2001. It was uncertain on October 18th, 1987, you just didn't know it." This trade war has lasted over a year, and if we had let uncertainty stop us from making a move, we certainly would not be getting anywhere. Meanwhile inflation, which was also a big concern in 2018, has been on a steady downtrend and is at its lowest (0.9% YoY in September) in over three years. (source: Deutsche Regis, "The Month in Review - September 2019").

The oil industry remains challenging. Crude oil prices surged upwards after a drone attack on Saudi oil facilities sparked fears of oil supply disruptions and price jumps. However, OPEC ministers have given guidance that supplies are sufficient, and production already restored, normalizing prices. Moreover, the general direction of the crack margins is moving to better levels, implying better business environment for refineries. While our oil refinery company had a very difficult 1H, we think that these are temporary setbacks and part of the normal course of business. We agree with management that the second half of the year should show some improvement.

One of our holding companies recently announced a PHP15 bln joint venture with a reputable Japanese company to unlock the value of a portion of its landbank by developing a mixed-use project. The lot is strategically located and anticipated to add over 180k sqm of mixed-use gross leasable area to a booming central business district. The transaction values their 1.7 hectare property at approximately PHP440,000 per sqm. They also own 79 hectares in the same area and if we were to value it at the present market price, this translates to PHP243 bln in value, twice its current market capitalization of PHP112 bln. This does not even include its stakes in other profitable subsidiaries.

On the Vietnam front, Q3 GDP growth hit 7.3% YoY, bringing 9M19 growth to 6.98% YoY—the highest in the past 9 years, mainly driven by the manufacturing sector. In fact, Samsung Electronics closed its last production factory in China, and has shifted production to other lower-cost countries such as Vietnam and India. In 2018 alone, they accounted for 28% of Vietnam's GDP which further demonstrates that Vietnam has solidified its position as the biggest overseas production base of Samsung. Even Apple plans to move 15-30% of its hardware manufacturing out of China. Their ODM is Foxconn, one of the world's largest providers of electronics manufacturing, with several manufacturing sites in China. This key iPhone assembler produces the bulk of Apple's iPhone line, and has been increasing its presence in industrial parks in Vietnam, recently purchasing 250,000 sqm of land (a good enough size for two factories) in response to the US-China trade spat. While this does not necessarily mean that Apple products will start being manufactured in Vietnam, it does demonstrate Vietnam as an attractive manufacturing spot and potential hub for electronics. Only time will tell.

MBG Equity Investment Fund, Inc.

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

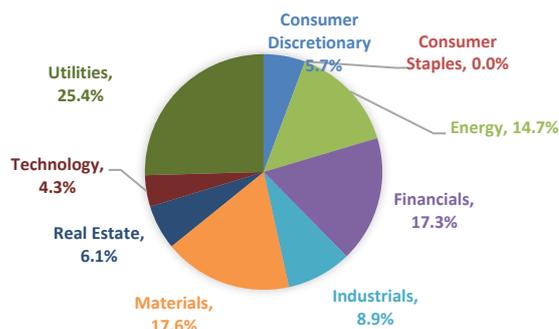
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.4%	1.4%	3.6%	-1.1%	-2.7%	-1.0%	-0.8%	-2.6%	-1.7%				-0.8%
PSEi TR <sup>1</sup>	7.3%	-3.7%	3.2%	0.7%	0.5%	0.5%	0.6%	-0.7%	-2.5%				5.7%

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

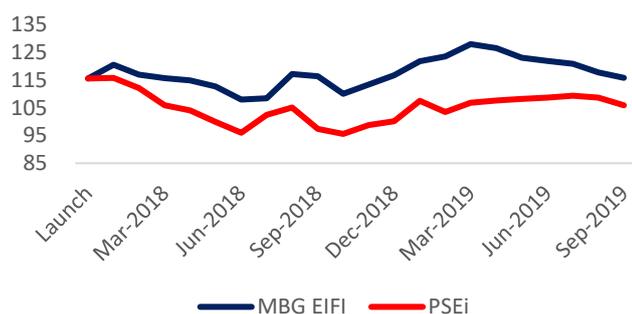
**Portfolio Characteristics**

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.6%	+/- 2.9%
Correlation to PSEi	0.31	1.0
Beta	0.17	1.0
Stock holdings	82.7%	100.0%
Large cap (> \$3bln)	23.4%	98.6%
Mid cap (\$500mln to \$3bln)	57.7%	1.4%
Small cap (< \$500mln)	18.8%	Nil
Philippines allocation	74.5%	100.0%
Vietnam allocation	25.5%	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	-0.8%	5.7%
3 months	-5.0%	-2.6%
6 months	-9.5%	-0.8%
1 year	-0.5%	8.7%
Launch (cumulative)	0.2%	-8.3%
Launch (annualized)	0.1%	-4.9%
Months with gains	38.1%	52.4%
Volatility of returns p.a.	9.4%	15.5%
1-yr Sharpe ratio (RFR 6%)	n/a	n/a

**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 164 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