

Fund Manager's Report

For the month of November, shares lost 4.7% to 108.25, underperforming the PSEi TR which lost 3%. Since the Fund's inception, shares have lost 6.5%, outperforming PSEi TR which lost -8.7% for the same period.

Markets sold off as MSCI rebalancing announced down-weights across the Philippines which resulted in pronounced selling. Net foreign selling accelerated from announcement date to \$258.6 mln, the largest level since May this year. The peso is expected to strengthen amid the seasonal increase in OFW remittances. In addition, a recently approved measure making the 2019 budget available to agencies, particularly for infra spending into 2020 should provide a much needed lift. Externally, the US-China trade war seems to have reached a momentous phase one trade deal in principle, with both sides agreeing to reduce some punitive tariffs for increased purchases of products, as well as make structural reforms in the areas of intellectual property. (source: Deutsche Regis, "The Month in Review - November 2019").

Our biggest loser is our oil refinery whose 9M19 net income fell 70% YoY. Management indicated declining volumes (-7%), worsening oil smuggling cases, and the refinery's prolonged shutdown (nearly 4-months) as a result of scheduled maintenance and a quake in the area as the cause of the decline. Additionally, benchmark refining margins fell 16% YoY, but continue to recover due to increasing diesel crack spread. We anticipate a turnaround in 4Q19, driven by a better refinery utilization rate, and higher refining margins adjusted for inventory loss/gain.

On the Vietnam front, foreign investors were net sellers for the 4th month straight with a total value of USD 41 mln. There is some good news—Kuwait's impending upgrade to the Emerging Market index gives Vietnam's current weight (16.96%) room for growth. MSCI roughly estimates Vietnam's weight in the index to jump to around 27%.

Another one of our stocks took a beating (-34%) as investors seemed to overreact to lower than expected October earnings (-77% YoY). However, the drop in earnings for our retail company can be explained by a provision for bad debt of VND 20 bln, and expenses arising from an investment in the digital transformation for both its pharmacy and pharmaceuticals chains. We believe the market to be incredibly short-term in view in this regard. The bad debt is due to a one-off that they have been able to correct, and for the increase in expenses, there's a popular adage I believe fits well in this situation. You might be familiar with it—"Plant trees that other men will sit under". We like that the company is trying to improve its current operating system even if it weighs down the company's earnings in the short-term because this upgrade is crucial for its future success. While its pharmacy chain is booking losses, it is on track to reach its management target of 70 stores by year end. If it continues its plan of 700 stores by 2022, its pharmacy will then be a significant driver of its profitability. Currently, its average monthly sales per store in 9M reached USD 64,000, more than twice the second player. In addition, the pharmaceuticals market in Vietnam is estimated to be around USD 4.5 bln, almost equivalent to that of the mobile phone retail market. We're convinced of this company's long-term growth potential.

With the holidays just around the corner, we'd like to thank you for your trust and continued support. Merry Christmas and a Happy New Year to you and your families! We look forward to this new decade with you.

MBG Equity Investment Fund, Inc.

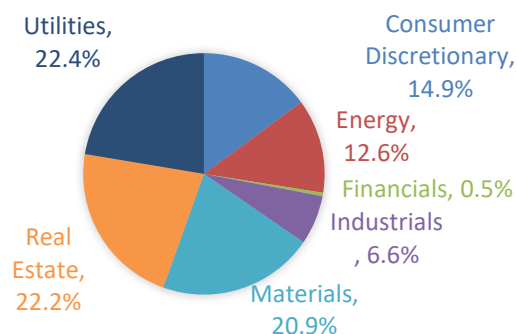
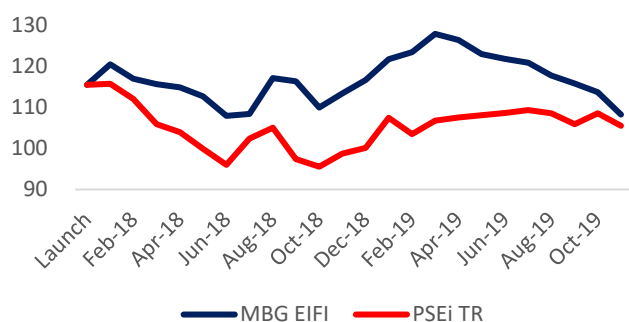
Performance MBG Equity Investment Fund, Inc. (MBG EIFI), net of all fees (in PHP)

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%	-1.8%	-4.7%		-7.2%
PSEi TR ¹	7.3%	-3.7%	3.2%	0.7%	0.5%	0.5%	0.6%	-0.7%	-2.5%	2.5%	-2.8%		5.4%

¹ Philippine Stock Exchange Index Total Return;

Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.7%	+/- 2.8%
Correlation to PSEi	0.46	1.0
Beta	0.28	1.0
Stock holdings	92.4%	100.0%
Large cap (> \$3bln)	22.6%	98.0%
Mid cap (\$500mln to \$3bln)	63.8%	2.0%
Small cap (< \$500mln)	13.6%	Nil
Philippines allocation	67.6%	100.0%
Vietnam allocation	19.9%	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	-7.2%	5.4%
3 months	-8.0%	-2.8%
6 months	-12.0%	-2.4%
1 year	-4.5%	6.8%
Launch (cumulative)	-6.2%	-8.7%
Launch (annualized)	-3.3%	-4.7%
Months with gains	34.8%	52.2%
Volatility of returns p.a.	8.9%	14.8%
1-yr Sharpe ratio (RFR 6%)	-1.18	0.06

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 156 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