

## Fund Manager's Report

For the month of June, shares gained 7.2% to 79.13, outperforming the PSEi TR which gained 6.6%. Since the Fund's inception, shares have lost 31.5%, underperforming PSEi TR which lost 25.7% for the same period. Covid-19 has infected more than 11 million people and caused half a million confirmed deaths. Though global cases of coronavirus continue to rise, many countries in the developed world have essentially "flattened the curve" allowing for the partial if not full re-openings of their economies. Others haven't fared as well with many developing nations including the Philippines, now 2nd in Southeast Asia's COVID-19 count with over 46,333 cases, still struggling to contain the virus as caseloads swell and hospitals go overcapacity. Interior Secretary Ano has not ruled out the possibility of reverting to stricter lockdown measures if the uptick continues. Even the US has also seen a resumption of infections as major states indicate record numbers of new cases, a result of their states reopening too early. This in tandem with social unrest due to lockdowns, racial tensions and global-political issues have weighed on investor sentiment. Despite this, news of improving economic data abroad have provided more bullish sentiment as major indices around the world were pushed upward with the Chinese market index (CSI300) closing at 5 year highs and the tech focused US index (NASDAQ) recently making a new all-time high. This sentiment has partially translated to the PSEi, which initially saw a 12.8% MoM gain at the start of the month galvanized by easing lockdown optimism that fizzled to just 6% MoM as the month progressed given expectations of a potentially prolonged economic recovery.

President Duterte recently announced the extension of the GCQ for Metro Manila, and other critical regions in the country. The eased lockdowns have been a welcomed respite for the Philippines finances as the strict ECQ/MECQ measures battered the country's economy for part of the 1Q20 and the entirety of 2Q20. Expectations for 2Q20 numbers are bleak, with the BSP forecasting a drop of 5.7-6.7% in the country's GDP. The ADB projects the country will recede by 3.8% for FY2020 as consumption and investment continues to slump. In response the country's foremost economic managers have sought to remedy the situation. DOF Secretary Dominguez has recommended the swift transition to the much more lenient MGCQ for Metro Manila and Calabarzon as they contribute more than 60% of the country's GDP. On the other hand, BSP Governor Diokno authorized the surprise rate cut of 50 bps to help stimulate lending and provide more liquidity for struggling businesses. The government will provide further assistance to the economy through the cutting of corporate tax and incentives to foreign investors. Put together all these efforts will stimulate the economy, with the BSP governor expecting a return to growth by 4Q20.

Earnings season has yet to begin, but there was some news on one of our companies. Our power gencos stock jumped 14% after a tender offer from a Singapore based private equity firm was finalized. Through the offer the investing firm purchased 427mn shares of the power genco equating to an 11.9% equity share. The investment shows strong foreign interest in the company and will likely help in unlocking long-term shareholder value.

On the Vietnam front, they have emerged from the lockdown with no additional local cases for almost three months. Their success in combating the virus has helped the VNI rebound impressively, surging 36% through mid June since its low in March. While the Vietnamese economy has taken a knock as a result of weakened demand and their export-reliant, domestic activities have been allowed to resume, with some domestic flight routes being relaunched. The government also continues to pass stimulative policies, with the latest being a newly ratified Public-Private Partnership (PPP) law which aims to attract more private investments and investment activities in key industries. Although the pandemic has dragged GDP to a decade low growth of 3.8% in Q1, it is worth noting that Vietnam's early ease in its lockdown given its success makes it poised for the highest GDP growth in Southeast Asia, forecasted at 4.1% (vs -2.7% est average GDP growth for SEA). In fact, Vietnam is expected to expand during this pandemic and post positive growth in 2020, though in the low single digit.

### MBG Equity Investment Fund, Inc.

This has certainly been a crisis like no other, with an uncertain recovery as governments try to delicately balance the risks of reopening too soon, and reopening to assuage a recession, which stands to impact individuals far longer than the virus itself. On top of the regulatory response to “flatten the curve, not the economy”, we must not forget that even with easing lockdowns, we must continue to follow health protocols and stay home if possible. Patience is a must now, which our favorite value investor succinctly tells us “Remember the stock market is a place for transferring money from the impatient to the patient.” With that we hope that you and your loved ones remain safe.

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

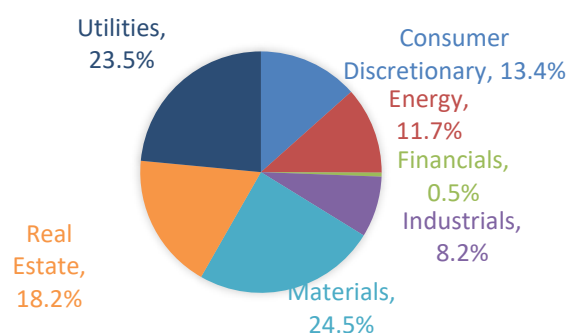
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-5.5%	-7.6%	-26.1%	12.7%	-1.9%	7.2%							-23.5%
PSEi TR <sup>1</sup>	-7.9%	-5.7%	-20.9%	7.2%	2.5%	6.6%							-19.5%

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

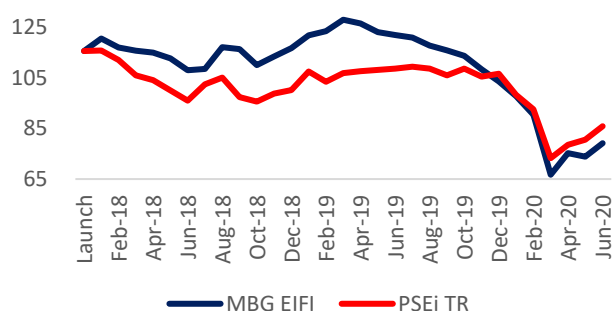
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 4.0%	+/- 5.7%
Correlation to PSEi	0.69	1.0
Beta	0.48	1.0
Stock holdings	87.9%	100.0%
Large cap (> \$3bln)	6.9%	90.9%
Mid cap (\$500mln to \$3bln)	70.1%	9.1%
Small cap (< \$500mln)	23.1%	Nil
Philippines allocation	76.2%	100.0%
Vietnam allocation	23.8%	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	-23.5%	-19.5%
3 months	18.6%	17.2%
6 months	-23.5%	-19.5%
1 year	-35.0%	-21.0%
Launch (cumulative)	-31.5%	-25.7%
Launch (annualized)	-14.1%	-11.3%
Months with gains	33.3%	53.3%
Volatility of returns p.a.	21.2%	30.8%
1-yr Sharpe ratio (RFR 6%)	-1.84	-0.81

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 120 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