

Fund Manager's Report

For the month of July, shares lost 2.1% to 77.43, outperforming the PSEi TR which lost 4.4%. Since the Fund's inception, shares have lost 32.9%, underperforming PSEi TR which lost 29.0% for the same period. The coronavirus pandemic has derailed the global economy with over 18 million cases worldwide. As of writing, the Philippines reported the highest single-day surge of Covid cases bringing the total case count to 137k. Amid the turmoil medical frontliners have pleaded for a 2-week reversion to MECQ, which the government reluctantly obliged through the re-imposition of lockdowns in critical regions. This has once again halted business activity and personal mobility, putting a damper on the efforts to revive the local economy. Philippine stocks fell 5% MoM as a result of dismal 2Q earnings, coupled with rising caseloads, have fed investor fears that the growing number of cases could further test the economy like never before. 2Q saw the Philippines plunging into a recession with GDP contracting 16.5% YoY--the sharpest drop on record. On the upside, acting NEDA Chief Karl Chua has highlighted improving tax collections and a recovering Purchasing Managers' Index or PMI (48.4 in July vs 40.1 in May) among positive economic indicators, which he said were already "trending towards 2019 levels."

To help fast-track recovery from the slump, the House approved Bayanihan 2, a PHP 162 bln stimulus package to provide necessary measures "to support operations and response measures to address the COVID-19 pandemic", including resources for healthcare, support for affected sectors, cash-for-work programs, low-interest loans for MSMEs, among others. The government also sees the "golden age of infrastructure" as the key to economic recovery and intends to maintain and even accelerate it given its high multiplier effect. The DOTr has said that the COVID-19 pandemic should serve as a reminder of how critically important it is to finish these BBB flagship projects, which were slightly delayed as construction work was prohibited for about 2 months. Moreover, the country's first airport railway express service will soon start construction this quarter as the first two contract packages for the Philippine National Railways Malolos-Clark segment of the massive Php 777 billion North-South Commuter Railway (NSCR) project were virtually signed over the weekend. ADB estimates this project to provide 24,000 local construction jobs over the next three years and creates another 14,000 for operating the railway system.

Earnings results are in, and our portfolio painted mixed results. Our cement company saw net income fall 93% in 2Q on the back of a double-digit volume decline in demand and lower average selling prices. This was unsurprising, as companies felt the brunt of the impact of the lockdown in 2Q. Though admittedly they did not lower prices as aggressively as their competitors, they have vouched that they will do so in 2H. Knowing their cost competitiveness, we are confident they can deliver. Meanwhile, our holco posted income up 24% in 1H driven by improved margins and its banking arm's strong trading gains, allowing it to realize a net profit growth of 59% YoY. While its office buildings continue to enjoy high occupancy rates, its real estate revenues lowered given limited mall operations and construction restrictions.

On the Vietnam front, our property developer, reported an 8% YoY increase in 1H net income despite a 14% decline in revenue. This is due to their success in turning over high-margin properties and sustained pre-sales momentum, which amounted to USD 1.6 bln (+21% YoY). They have also made a strategic acquisition of a 300 ha property to their landbank, close to one of their other existing high-value projects. Conversely, our mobile phone retailer saw 2Q revenue drop 20% YoY attributable to a 24% YoY decline in its mobile segment sales as 30% of their mobile stores were closed during the lockdown, and a larger recorded loss in its pharmacy chain as it continues to ramp up its expansion. As of 1H, its pharmacy count stood at 135 vs 70 at YE19, with plans to achieve 200 stores by year end. We're more concerned with whether or not they stay

MBG Equity Investment Fund, Inc.

on track as the company expects to break-even by 2022, and consequently account for 30% of the market share in the next 2-3 years.

As investors in long term value we take solace in the words of Warren Buffet who says “Do not take yearly results too seriously. Instead, focus on four- or five-year averages.” Looking farther out, our companies will likely overcome the short-term pitfalls before them and potentially outperform in the periods beyond. With that we hope for you and your families continued safety.

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

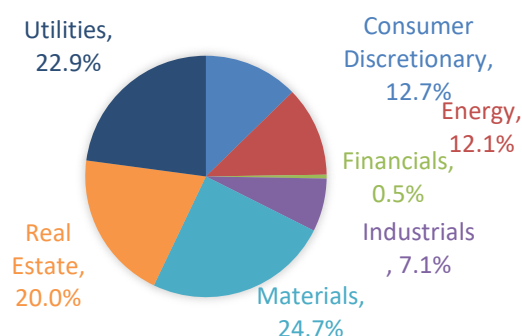
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-5.5%	-7.6%	-26.1%	12.7%	-1.9%	7.2%	-2.1%						-25.2%
PSEi TR ¹	-7.9%	-5.7%	-20.9%	7.2%	2.5%	6.6%	-4.4%						-23.0%

¹ Philippine Stock Exchange Index Total Return;

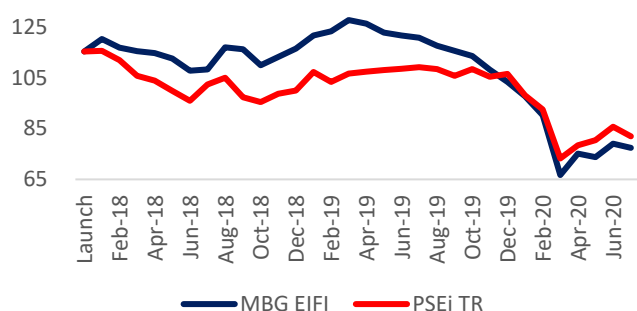
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 4.1%	+/- 5.7%
Correlation to PSEi	0.69	1.0
Beta	0.49	1.0
Stock holdings	87.2%	100.0%
Large cap (> \$3bln)	7.1%	88.8%
Mid cap (\$500mln to \$3bln)	71.8%	11.2%
Small cap (< \$500mln)	21.1%	Nil
Philippines allocation	77.3%	100.0%
Vietnam allocation	22.7%	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	-25.2%	-19.5%
3 months	2.9%	4.5%
6 months	-20.8%	-16.5%
1 year	-35.9%	-25.0%
Launch (cumulative)	-32.9%	-29.0%
Launch (annualized)	-14.4%	-12.5%
Months with gains	32.3%	51.6%
Volatility of returns p.a.	21.4%	31.0%
1-yr Sharpe ratio (RFR 6%)	-1.86	-0.93

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 118 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