

## Fund Manager's Report

For the month of October, shares gained 3.8% to 86.57, underperforming the PSEi TR which gained 7.9%. Since the Fund's inception, shares have lost 25.0%, outperforming PSEi TR which lost 24.0% for the same period. As coronavirus cases in the Philippines surpass the 400,000 mark, local transmissions seem to be decelerating, with overall new cases dropping 25% this month.

While lockdown levels remained unchanged, with Metro Manila staying under GCQ in October, measures to ease restrictions have been gradually introduced. Transport restrictions have been eased, curfew hours shortened, hotels and restaurants are allowed to operate with increased capacity. Foot and car traffic also seem to be picking up, with more vehicles seen on the road, but still lower than pre-pandemic levels. Meanwhile GDP contracted 11.5% YoY in Q3 taking 9M GDP to -10% YoY. Though lower than expected, there was some improvement in consumption (-9.3% 3Q vs -15.3% 2Q). Moving forward, easing restrictions even if lockdown levels remain in place, should help the government's efforts to reopen and reinvigorate the economy.

Our GenCos stock had a good month, with its stock price rising 22% MoM as the Department of Energy announced a moratorium on new coal power plants, in a remarkable policy shift to cleaner energy. Coal accounts for nearly half of electricity production in the country, and the current pipeline would see that increasing further. This is a huge first step to exiting a particularly inflexible energy mix, and moving towards a more sustainable power system. As a result, our gencos position as the industry leader in clean energy gives them a competitive advantage in providing alternative sources of affordable clean energy.

Q3 earnings are starting to roll in, and the overarching theme seems to be slight recovery but not back at pre-pandemic levels. Our cement company reported flat 3Q20 earnings YoY (Php 1.4 bn) bringing 9M earnings to Php 2.7 bn (-43% YoY) on the back of lower cement prices due to tight competition in Luzon. After holding off on marketing efforts, they plan to market to its retailers aggressively in 4Q, which may help drive sales volume. Meanwhile, institutional buyers have started to resume construction activities, which may also help buoy demand.

Our oil refiner has had a tough year, but did significantly better QoQ with the company registering net income of Php 1.63 bn versus a net loss of Php 14.2 bn in Q2 on the back of retailing margins. Consolidated retail volume rose 49% QoQ as quarantine restrictions were relaxed. Furthermore, the refinery resumed normal operations in October after being on scheduled turnaround since May. Though still reeling from the drop in refinery margins, it expects a "modest recovery" as tourism and car traffic ramps up.

Finally, the news reported a potentially successful vaccine by Pfizer that is set to get regulatory approvals soon. While there are no guarantees, we're optimistic that we'll be coming out of this soon and returning to some normality. We've remained confident in spite of the volatility and depressed earnings because this bump on the road (however big), doesn't change what we think about these companies. As Warren Buffett says, "Only buy something that you'd be perfectly happy to hold if the market shut down for 10 years." We'll keep you posted on the results of the rest of our holdings. With that we hope for the continued safety of you and your loved ones.

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

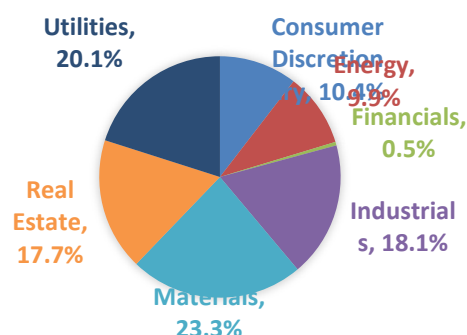
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-5.5%	-7.6%	-26.1%	12.7%	-1.9%	7.2%	-2.1%	2.9%	4.6%	3.8%			-16.3%
PSEi TR <sup>1</sup>	-7.9%	-5.7%	-20.9%	7.2%	2.5%	6.6%	-4.4%	-0.5%	-0.3%	7.9%			-17.6%

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

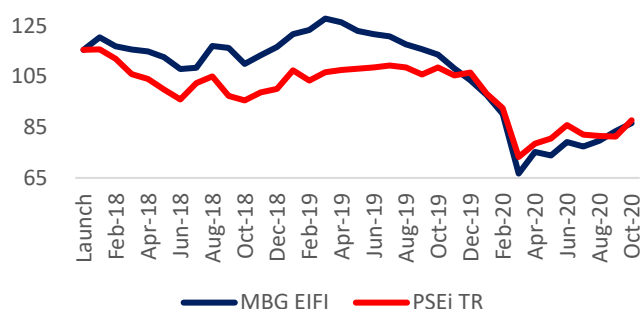
**Portfolio Characteristics**

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 4.4%	+/- 5.8%
Correlation to PSEi	0.70	1.0
Beta	0.52	1.0
Stock holdings	94.3%	100.0%
Large cap (> \$3bln)	5.8%	94.5%
Mid cap (\$500mln to \$3bln)	63.7%	5.5%
Small cap (< \$500mln)	30.5%	0.0%
Philippines allocation	79.8%	100.0%
Vietnam allocation	20.2%	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	-16.3%	-17.6%
3 months	11.8%	7.0%
6 months	15.1%	11.8%
1 year	-23.8%	-19.1%
Launch (cumulative)	-25.0%	-24.0%
Launch (annualized)	-9.7%	-9.3%
Months with gains	38.2%	50.0%
Volatility of returns p.a.	22.1%	31.6%
1-yr Sharpe ratio (RFR 6%)	-1.26	-0.73

**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 132 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