

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of February, shares gained 1.8% to 98.80, underperforming the PSEi TR which gained 2.8%. Since the Fund's inception, shares have lost 14.4%, outperforming the PSEi TR which lost 18.2% for the same period.

A year has passed since the World Health Organization declared COVID-19 a pandemic and the Philippine government imposed what became the world's longest lockdown. But an end to the crisis is finally in sight as the first batch of vaccines have arrived, and the country has begun its vaccine rollout to frontline health workers. With mass supply agreements signed and shipments underway, the vaccines are expected to be more widely available in 3Q21. President Duterte has deferred the loosening of lockdown status to Modified General Community Quarantine (the lowest quarantine status) until larger scale inoculation begins. As a result, NEDA will have to review its GDP goal for the year amid the delay in full reopening of the economy. Inflation jumped to 4.7% in February, a 2-year high, driven by rising food and transportation. The BSP has said that while the CPI has breached its target, the spike is transitory and would not require any monetary intervention, as average inflation is still expected to fall within its target range. For the time being, the sustained rise in prices will worsen the already weak consumption spending. NEDA has already warned of a contraction in GDP in Q1 due to continued implementation of quarantine restrictions. All these factors led the PSEi to rise a modest 2.8% MoM in Feb amid concerns on the delay of the vaccine rollout, loosening of lockdown status and rising inflation.

Our refinery announced its 2020 full year results, reporting an 11.4 bln net loss as consolidated sales volume dropped 27% YoY due to the impact of the pandemic. The last two quarters of the year however, showed some upward momentum after its slump in 2Q20. The company reported consolidated revenues up 46% in 4Q (vs 2Q) and posted positive consolidated net income of Php 1.2 bln due to increased volumes and inventory gains. While refining margins remain weak, improved margins and the company's inclusion in the Freeport Area of Bataan have made the refinery more competitive and economically viable. The refinery is seen to come back online and resume refining in the second half of the year as mobility and business activity recover.

Meanwhile, our genco restarted its 420 MW San Gabriel power plant (12% of its capacity), which had been under maintenance since September of last year. With the restoration of the plant to full operations, the company is now able to produce energy at 100% capacity, allowing it to take advantage of growth in energy demand as consumption recovers.

We'll soon be getting news of the rest our companies' full year earnings results. With the low base set in 1H20, we expect our companies to show some improvement. Although the lingering effects of the pandemic will continue into 2021, we take comfort knowing that we're invested in good companies that were able to withstand the headwinds of the pandemic, and their prospects continue to look bright. Even at the height of the pandemic, we knew we just had to wait it out. As Charlie Munger says, it's waiting that helps you as an investor, and a lot of people just can't stand to wait.

We'll keep you updated on their results, but we think it's safe to say we are now on the long-awaited road to recovery and we are excited for the year ahead.

With that we hope for the continued safety of you and your loved ones.

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

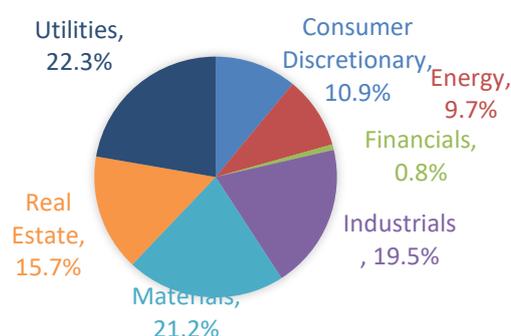
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%												-3.1%
PSEi TR <sup>1</sup>	-7.4%												-4.8%

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

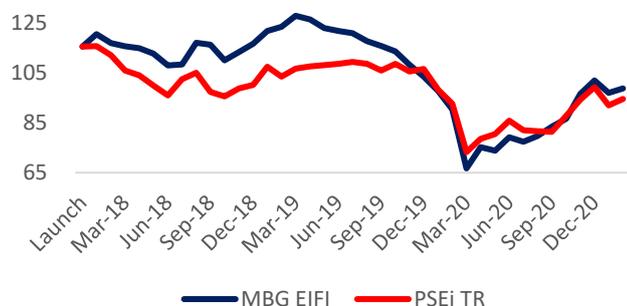
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 4.1%	+/- 6.0%
Correlation to PSEi	0.64	1.0
Beta	0.44	1.0
Stock holdings	91.7%	100.0%
Large cap (> \$3bln)	6.8%	97.7%
Mid cap (\$500mln to \$3bln)	61.0%	2.3%
Small cap (< \$500mln)	32.2%	0.0%
Philippines allocation	73.2%	100.0%
Vietnam allocation	26.8%	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	-3.1%	-4.8%
3 months	2.3%	0.2%
6 months	24.0%	15.8%
1 year	9.4%	2.0%
Launch (cumulative)	-14.4%	-18.2%
Launch (annualized)	-4.8%	-6.2%
Months with gains	42.1%	52.6%
Volatility of returns p.a.	22.3%	32.0%
1-yr Sharpe ratio (RFR 6%)	0.24	-0.06

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**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 159 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	Standard Chartered
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