

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of April, shares gained 0.2% to 96.34, outperforming the PSEi TR which lost 1.0%. Since the Fund's inception, shares have lost 16.6%, outperforming PSEi TR which lost 22.7% for the same period.

As the Philippines' COVID-19 cases topped the 1 million mark, the country extended its already month-long lockdown in NCR Plus to mid-May. The decision was met with some success, as infection numbers have since dropped with the daily number of cases averaging around 5,000--a significant improvement from the levels we saw back in March. While the improving COVID-19 situation should provide some market optimism, the economic losses as a result of the lockdown may lead to a prolonged recovery and drag on consumption. At the forefront of everyone's minds are the vaccines which are seen as the key to recovery. Rollout has been slow, with only 4 mln of the 8 mln received doses having been administered. Though given the surge in cases in India, vaccine deliveries are likely to be impacted, leading the Philippines to lower its vaccination target, now aiming to vaccinate 50-60 mln Filipinos (vs 70 mln previously) by year end.

Moving on to our companies, our infra company announced its full year 2020 results with revenues down 41% YoY and net income down 277% YoY. It was a tough year for all our companies, so we aren't surprised. We are more focused on its long-term prospects, with several projects lined up in its pipeline, and 60% of its order book comprising government infrastructure projects. Our position makes us poised to benefit from the local infra sector's years of underinvestment and its key role in jumpstarting the economy. Moreover, moving forward should be relatively insulated from the downturn in consumption given that the bulk of their revenue is tied to government projects which should allow for continued operations.

Our oil refinery reported P1.73 bln in profits for 1Q21, in stark contrast to the P4.9 bln net loss it incurred for the same period in 2020. Though volumes declined, reaching 19.38 mln barrels (-21% YoY), the improvement can be attributed to improving global oil prices and the company's fiscal incentives because of its transition into a registered enterprise which helped to support its bottom-line. However, the company is more confident in its prospects for the year, with refining operations expected to resume in June.

On the Vietnam front, we have made the decision to exit our position in our steel company. We took profit at a return of 89% after its stellar performance in Q1 2021, which saw net income achieve 68% of its full year 2020 results which pushed the stock price. With the rally in steel prices, we found now to be the opportune time to exit before supply and demand are in balance again, and the commodity's price drops.

While the lockdown is a setback to say the least, and the virus induced uncertainty will remain an overhang over the country's staggered recovery, our portfolio of high-quality businesses is poised to thrive as they take advantage of ongoing opportunities in the Philippines' continuous economic recovery and growth story. As Charlie Munger aptly put it, "Success means being very patient, but aggressive when it's time." We'll keep you posted on any new developments.

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)

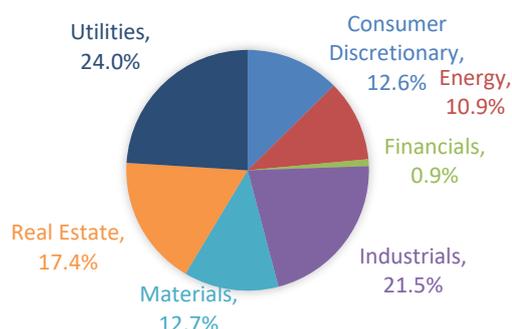
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%	0.2%									-5.5%
PSEi TR ¹	-7.4%	2.8%	-4.5%	-1.0%									-10.0%

¹ Philippine Stock Exchange Index Total Return;

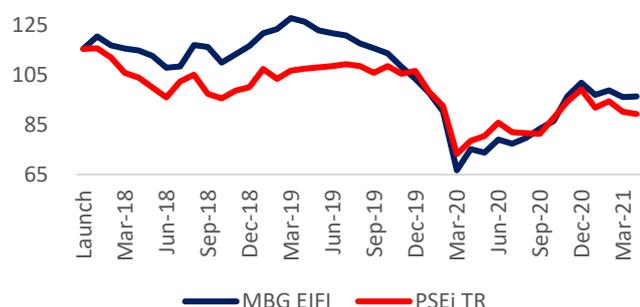
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.5%	+/- 3.9%
Correlation to PSEi	0.39	1.0
Beta	0.25	1.0
Stock holdings	80.0%	100.0%
Large cap (> \$3bln)	7.8%	95.3%
Mid cap (\$500mln to \$3bln)	68.1%	4.7%
Small cap (< \$500mln)	24.1%	0.0%
Philippines allocation	81.1%	100.0%
Vietnam allocation	18.9%	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	-5.5%	-10.0%
3 months	-0.7%	-2.8%
6 months	11.3%	1.7%
1 year	28.1%	13.8%
Launch (cumulative)	-16.6%	-22.7%
Launch (annualized)	-5.3%	-7.5%
Months with gains	42.5%	50.0%
Volatility of returns p.a.	13.9%	20.8%
1-yr Sharpe ratio (RFR 6%)	1.73	0.47

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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 155 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. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 956 7254 Fax: +63 2 956 7065