

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of March, shares lost 2.7% to 96.14, outperforming the PSEi TR which lost 4.5%. Since the Fund's inception, shares have lost 16.7%, outperforming the PSEi TR which lost 21.9% for the same period.

Amid the spike in COVID cases, the Philippine government reimposed on Metro Manila and surrounding provinces a short-term intervention, reverting back to the strictest lockdown level (ECQ) to try to contain the virus surge that is testing the country's healthcare capacity. The Philippine economy's losses during the two week lockdown alone are estimated at P180 bln (or 1% of GDP) according to DTI Secretary Ramon Lopez, as restrictions on movement, curfew, and forced closure of retail establishments took its toll on the economy. Although the NCR Plus bubble has since shifted to a looser modified ECQ, a prolonged lockdown and slow roll out of vaccines may push back the recovery story into next year. Finance Secretary Dominguez indicated that GDP growth in 2021 may be 0.5% less than earlier expected (previous forecast 6.5-7.5%). As a result, the PSEi dropped 5.2% MoM as rising infections dashed any hopes of a reopening and the threat of a lingering recession through Q1 2021 further dampening market sentiment. Meanwhile, inflation inched down to 4.5% in March (vs Feb's 4.7%) as food inflation slowed. This should ease concerns about inflation as the BSP is seen to keep policy rates steady and accommodative alongside manageable inflation which should improve consumer confidence.

Our cement company reported net sales down 31% in 2020 due to the community quarantine in Luzon. We're not too concerned about it as they're well-positioned to bounce back. They're on track to complete their plant expansion in Q2 which will increase capacity by 21% (7.1 to 8.6 MMT) thereby solidifying its position as the country's single largest cement plant. They've been able to maintain good cash levels all the while preparing plans to pay down debt and pay out dividends. Volumes have also since improved and the company is confident in double digit growth as infra spending increases, and as ties with institutional clients provide a steady flow of demand. Meanwhile, our power company is close to selecting a Floating Storage Regasification Unit (FSRU) provider for the charter of its offshore LNG terminal project. The construction of the country's first LNG terminal will allow our company to import and provide LNG as early as 3Q 2022, thereby serving the natural gas requirements of existing and future gas fired plants as the country shifts towards cleaner sources of renewable energy.

We maintain our conviction in our companies, knowing fully well we're invested in a strong portfolio of businesses that don't just look good now, but have obvious prospects well into the future. These are difficult times, and though it's looking like an uneven path to recovery which may take time, we take care to remember that "Investment is most intelligent when it is most businesslike (Benjamin Graham)". The fundamentals of our companies and our country have not changed, and we're betting on that. 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)

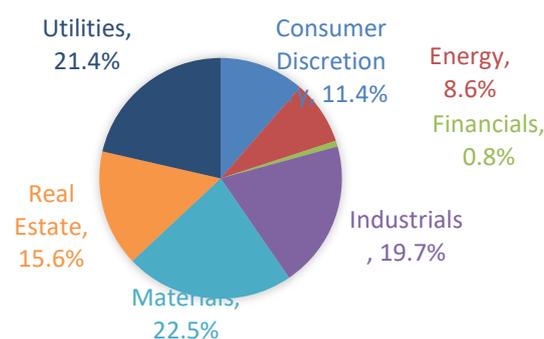
| 2020                 | Jan   | Feb  | Mar   | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD   |
|----------------------|-------|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| MBG EIFI             | -4.8% | 1.8% | -2.7% |     |     |     |     |     |     |     |     |     | -5.7% |
| PSEi TR <sup>1</sup> | -7.4% | 2.8% | -4.5% |     |     |     |     |     |     |     |     |     | -9.1% |

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

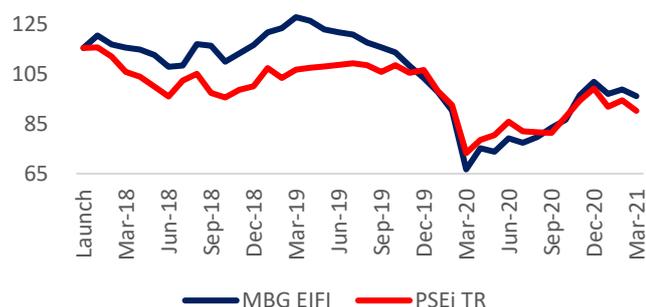
Portfolio Characteristics

|                              | MBGEIFI  | PSEi TR  |
|------------------------------|----------|----------|
| Volatility (3σ, 1-day)       | +/- 2.9% | +/- 4.4% |
| Correlation to PSEi          | 0.4      | 1.0      |
| Beta                         | 0.26     | 1.0      |
| Stock holdings               | 91.4%    | 100.0%   |
| Large cap (> \$3bln)         | 6.7%     | 95.0%    |
| Mid cap (\$500mln to \$3bln) | 58.5%    | 5.0%     |
| Small cap (< \$500mln)       | 34.8%    | 0.0%     |
| Philippines allocation       | 69.6%    | 100.0%   |
| Vietnam allocation           | 30.4%    | 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               | -5.7%    | -9.1%   |
| 3 months                   | -5.7%    | -9.1%   |
| 6 months                   | 15.3%    | 10.9%   |
| 1 year                     | 44.1%    | 23.2%   |
| Launch (cumulative)        | -16.7%   | -21.9%  |
| Launch (annualized)        | -5.5%    | -7.4%   |
| Months with gains          | 41.0%    | 51.3%   |
| Volatility of returns p.a. | 15.1%    | 23.8%   |
| 1-yr Sharpe ratio (RFR 6%) | 2.66     | 0.81    |

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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/<br>6XW2RW.99999.SL.608   |
| Investment manager         | MBG Investment Management, Inc. (Licensed Investment Company Adviser)<br>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<br>MBG Equity Investment Fund, Inc.<br><a href="mailto:info@mbgfunds.com">info@mbgfunds.com</a><br><a href="http://www.mbgfunds.com">www.mbgfunds.com</a><br>Tel: +63 2 956 7254<br>Fax: +63 2 956 7065 |