

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)

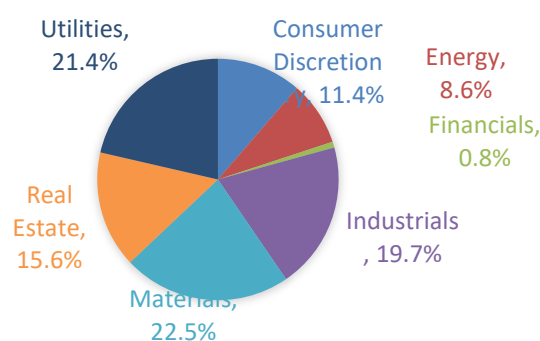
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%										-5.7%
PSEi TR ¹	-7.4%	2.8%	-4.5%										-9.1%

¹ Philippine Stock Exchange Index Total Return;

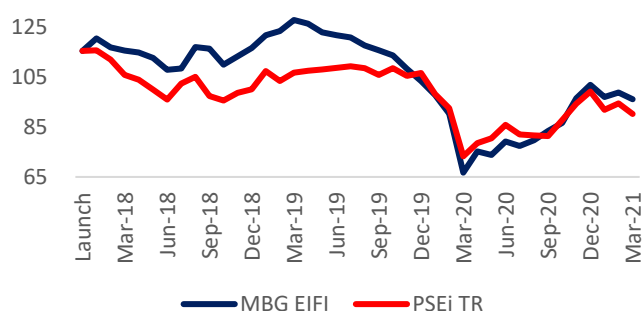
Portfolio Characteristics

	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/ 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