

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of June, shares gained 6.4% to 100.72, outperforming the PSEi TR which gained 4.2%. Since the Fund's inception, shares have lost 12.8%, outperforming PSEi TR which lost 15.9% for the same period.

The Philippine government made the decision to prolong its GCQ restrictions on movement and businesses in the NCR bubble until mid-July. Although the Covid-19 situation seems to be improving, with infections in the NCR starting to plateau compared to the surge in March and April, a successful vaccination campaign would be the real game changer for the sustained recovery of the Philippine economy. Vaccination rates are on the rise, boosted by wider availability of vaccines, and as of July 12th, some 13 million vaccine doses have been administered since the start of the campaign. The government plans to administer another 8-10 mln doses in July, which roughly translates to 300k doses per day. At that pace, the country may be able to achieve its target of vaccinating 50-60% of the population by year end (*source: Regis, "The Month in Review - June 2021"*). Inflation for the month of May stayed steady at 4.5%. High prices of meat remain the biggest contributing factor but have eased slightly and are expected to come down. The BSP kept its record low policy rates for the fifth straight meeting. The Monetary Board observed that while economic activity has been improving, they reiterated their accommodative stance to support economic recovery. Meanwhile, the PHP breached P50/US\$ and is seen to weaken amid a pickup in domestic demand and increase in imports as the country begins its recovery.

We're excited about our infra company's prospects given that they secured new contracts from its international operations and will continue to work on their domestic projects with a combined value of P60 bln. With recovery underway as a result of a resumption in construction activities, the company has a healthy backlog of projects good for at least 2 years of work. The company is also bidding for more projects domestically and overseas. They will be participating in the bidding for packages under two domestic big ticket government projects: the Metro Manila Subway and the North South Commuter Railway - South Line. Our real estate company just got approval for the IPO of its real estate investment trust (REIT). The proposed REIT is seen to unlock the value of the company's growing recurring income projects and prime office leasing business through reduced corporate taxes and the availability of new capital for expansion.

The decision to exit our Vietnam portfolio left us with a considerable amount of cash which we have already begun deploying. We added to some of our key holdings but also acquired a new name for the fund that presented a good buy opportunity. We increased our position in our oil refinery to take advantage of the recovery in mobility and spike in auto sales. They had an extremely tough year due to the pandemic, which saw their earnings and stock price drop significantly. Their market capitalization is currently at Php 33 bln, but when mobility recovers, they can easily make at least Php 10 bln in profits. If you can remember that stocks aren't pieces of paper that gyrate all the time - they are fractional interests in businesses - it all makes sense (Seth Klarman). We'll keep you posted on any new developments.

We hope for the continued safety of you and your loved ones.

Newsletter

MBG Equity Investment Fund, Inc.

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

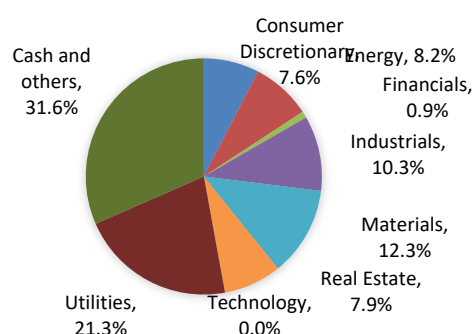
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%	0.2%	-1.7%	6.4%							-1.2%
PSEi TR ¹	-7.4%	2.8%	-4.5%	-1.0%	4.3%	4.2%							-2.2%

¹ Philippine Stock Exchange Index Total Return;

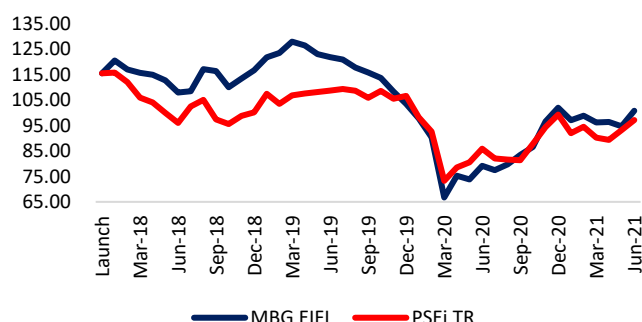
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.9%	+/- 3.6%
Correlation to PSEi	0.37	1.0
Beta	0.19	1.0
Stock holdings	68.4%	100.0%
Large cap (> \$3bln)	1.3%	94.4%
Mid cap (\$500mln to \$3bln)	83.6%	5.6%
Small cap (< \$500mln)	15.0%	0.0%
Philippines allocation	98.7%	100.0%
Vietnam allocation	1.3%	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	-1.2%	-2.2%
3 months	4.8%	7.6%
6 months	-1.2%	-2.2%
1 year	27.3%	13.1%
Launch (cumulative)	-12.8%	-15.9%
Launch (annualized)	-3.9%	-4.9%
Months with gains	42.9%	52.4%
Volatility of returns p.a.	12.0%	19.1%
1-yr Sharpe ratio (RFR 6%)	1.93	0.48

Newsletter

MBG Equity Investment Fund, Inc.

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 163 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