

Fund Manager's Report

For the month of December, shares lost 4.4% to 103.47, underperforming the PSEi TR which lost 1.0%. Since the Fund's inception, shares have lost -10%, underperforming PSEi TR which lost -7.7% for the same period. The PSEI ended the month with a 1% gain bringing the YTD growth to 4.7% for the year of 2019. Despite the overall gain in the market, reaching a high of 8,365 in July, the gains were returned due to the continuous net foreign selling for the year totaling \$230m, and \$173m for December alone. The PCOMP closed the year at 7,815. A major contributor would be the government's renegotiation of terms with Manila Water Company (MWC) and Maynilad. Expecting a less favorable agreement there was a major sell-off by foreign investors for both MWC stock and Maynilad's parent company MPI. On a positive note, the 2020 budget was passed and will be implemented in February 2020 with only a one-month delay. The budget implies 12% growth over the budget a year before, but the growth may effectively be higher as portions of the 2019 budget is extended into 2020. (source: Deutsche Regis, "The Month in Review - December 2019"). It has been a very eventful start to the year with visible volcanic activity from Taal Volcano which risks prolonged disruption in tourism and industry in the Calabarzon Region, the 2nd largest regional contributor to the country's GDP (~15%). Externally, the Iran-US confrontation has started to settle with both sides issuing statements that have seemingly de-escalated tensions and have put the market at ease. Additionally, the cooling down of the US-China trade war ahead of the phase one trade deal has moved US markets to all-time intraday highs.

Our real estate company has recently finalized the purchase of a 19.2-hectare piece of land from the Cebu local government for PHP6.7 bln, which it seeks to convert into a mixed-use development project. In total the company now owns 70 hectares of the 300-hectare island-type reclamation south of Cebu City. It won the bidding at a price of PHP35k per sqm, but its value has since grown to PHP115k per sqm--a considerable appreciation. In addition, the completion of the Cebu-Cordova Link expressway (47% complete) should also provide a boost, as it will make the area more accessible. Our oil refinery has recently begun marking their fuel as a hedge against smuggling, which will help differentiate legitimately sourced from illegally sourced fuels. Fuel marking's enforcement is expected to bring in a conservative PHP20 bln in added revenue, which is thought to be half the estimated amount lost to smuggling annually. Once all industry players are on board, this program will help to ensure that consumers receive safe and reliable fuel, while also reducing competition from illegal fuel providers.

On the Vietnam front, our retail stock is still in the red, down 21.75% this month. This is due to weakened investor sentiment after a spillover of the reaction over earnings last October as a result of one-off expenses, startup losses and a slowdown in the mobile electronics industry. However, we firmly believe that the company can weather the storm with its strong earnings potential and fundamentals. The company continues to innovate, providing new features for its online marketplace such as an AR selfie cam that lets you try on different glasses through the store. Its efforts at digital transformation as well as the establishment of its pharmaceutical chain, already going according to management plan, are crucial for the company's long-term success. With the company's EPS up 26% over 2 years, and its stock currently trading at 5x P/E (15x in 2018), we strongly believe that this company has much unrealized potential that soon the market will come to realize as well.

This year has been tough, we are down compared to the market which has tested our conviction. But as our favorite value investor Warren Buffett says, unless you can watch your stock holding decline by 50% without becoming panic-stricken, you should not be in the stock market. We continue to review our companies and we still believe in the fundamentals and the rationale behind our stocks.

We hope you and your families had a wonderful holiday, and we look forward to this new year with you. Cheers to the new year!

Disclaimer: This report has been prepared by MBG Equity Investment Fund, Inc. (MBG EIFI) for information purpose only. It should not be considered as an offer to sell, or a solicitation of an offer to buy. All reasonable care has been taken to ensure that the information contained therein is not false or misleading, but no representation is made as to its accuracy or completeness. From time to time, MBG EIFI, its affiliated companies and any of its or their officers may have an interest in any transaction, securities or commodities referred to in this report. Also, MBG EIFI, or its affiliated companies, may perform services, for, or solicit business from, any company referred to in this report. Past performance is not necessarily a guide to future performance; the price of shares may go down as well as up and cannot be guaranteed. Investors should read the Prospectus before investing.

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

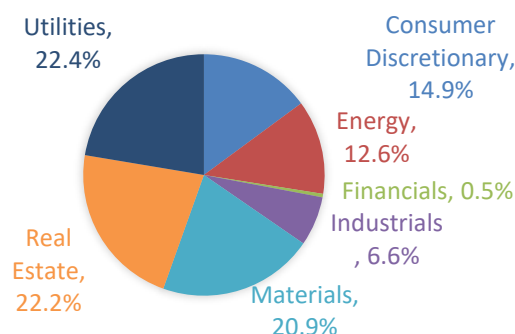
2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.4%	1.4%	3.6%	-1.1%	-2.7%	-1.0%	-0.8%	-2.6%	-1.7%	-1.8%	-4.7%	-4.4%	-11.3%
PSEi TR ¹	7.3%	-3.7%	3.2%	0.7%	0.5%	0.5%	0.6%	-0.7%	-2.5%	2.5%	-2.8%	1.0%	6.5%

¹ Philippine Stock Exchange Index Total Return;

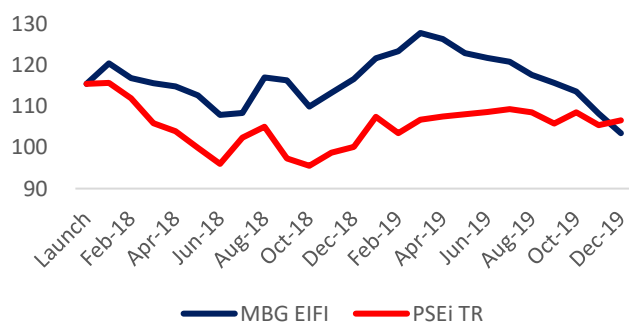
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.6%	+/- 2.7%
Correlation to PSEi	0.45	1.0
Beta	0.26	1.0
Stock holdings	92.5%	100.0%
Large cap (> \$3bln)	22.7%	98.0%
Mid cap (\$500mln to \$3bln)	62.8%	2.0%
Small cap (< \$500mln)	14.5%	Nil
Philippines allocation	79.4%	100.0%
Vietnam allocation	20.6%	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	-11.3%	6.5%
3 months	-10.6%	0.7%
6 months	-15.0%	-1.9%
1 year	-11.3%	6.5%
Launch (cumulative)	-10.4%	-7.7%
Launch (annualized)	-5.4%	-4.0%
Months with gains	33.3%	54.2%
Volatility of returns p.a.	8.2%	14.5%
1-yr Sharpe ratio (RFR 6%)	-2.10	0.03

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 149 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	Deutsche Bank AG
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