

Fund Manager's Report

For the month of January, shares lost 5.5% to 97.74, outperforming the PSEi TR which lost 7.9%. Since the Fund's inception, shares have lost 15.3%, underperforming PSEi TR which lost 15% for the same period. The year was off to a rough start with the PSEI dropping 7.9% to 7,201--its worst month since Nov 2016. This can be attributed to a variety of factors: (1) the continuous activity of Taal Volcano, (2) government's review of 'onerous' contracts and (3) most significantly, the outbreak of the deadly CoViD-19 virus which has since been declared by the World Health Organization to be a global emergency. Under these conditions, investor confidence has been dragged down resulting in net foreign selling of US\$164 mln in January (*source: Deutsche Regis, "The Month in Review - January 2020"*).

In spite of all these concerns we mustn't lose sight of the bigger picture. While investor sentiment was bogged down following the eruption of Taal which heavily impacted food production in the Calabarzon region, Phivolcs has reduced the alert level of the volcano, allowing for residents from a majority of the affected towns to return home. Moreover, the CoViD-19 pandemic continues to escalate with more cases and deaths being recorded each day. As of late, 75,000 people have been affected by the CoViD-19 with the death toll reaching over 2,200 worldwide. Until the virus is subdued, it will remain a source of short to medium-term concern for investors as the impact on people, businesses, and economies stretch worldwide.

Suspected cases in the Philippines have risen to 382 with 3 already confirmed and 1 casualty. BSP estimates that a prolonged outbreak will cut potentially cut 2020 GDP growth by 0.3-0.7%, vs a target of 6.5-7.5%, as several industries take a hit. According to NEDA, the tourism sector stands to lose Php22.7 bln a month as travel restrictions are put in place. The prior eruption of Taal Volcano last month has already resulted in a number of booking cancellations. Discretionary consumption and retail is also expected to decline as consumers avoid crowds and public spaces. In our own portfolio, our home retail company will likely feel that blow as customers delay consumption. This may have indirect effects on our real estate developer whose portfolio holds several hotels, resorts, and malls--all of which will likely experience lower foot traffic. Industrials related sectors will be affected as well with our oil refinery company being negatively impacted as oil prices are expected to decline given lower demand from China, lessening the already low margins from oil refining.

Notwithstanding the inevitable impact of these events on the Philippine economy, there is still much to be optimistic about, with the government's push for inclusive growth and job creation as key priorities. The 2020 national budget was passed on time which continues to emphasize increasing infrastructure spending, has put us at the forefront of the onset of the Golden Age of Philippine Infrastructure. We expect some of our companies to be poised to benefit.

This is most apparent in our cement company who came out of 2019 as the sole local listed player to record sales volume growth among its competitors. Its capacity increases and low overhead costs have provided them with a competitive advantage against local firms and imports.

Despite our optimism, market sentiment is down right now given all these headwinds. However, we take it in stride. Markets crash and prices fall, crises are inevitable--and opportunity always exists, more so in times like this. As the Oracle of Omaha once said, "Cash combined with courage in a time of crisis is priceless". Now is as good a time as ever to take strategic positions as the market overreacts to short term setbacks. For now, we ride out the storm.

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

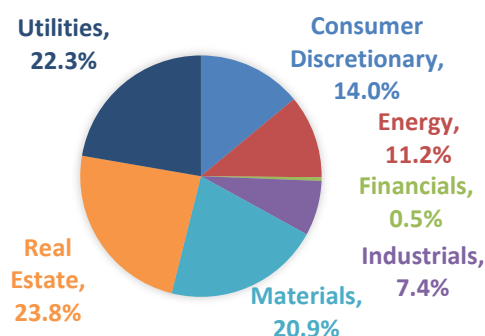
| 2020 | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|----------------------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| MBG EIFI | -5.5% | | | | | | | | | | | | -5.5% |
| PSEi TR ¹ | -7.9% | | | | | | | | | | | | -7.9% |

¹ Philippine Stock Exchange Index Total Return;

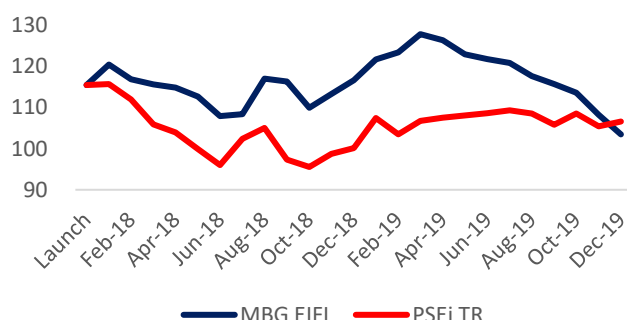
Portfolio Characteristics

| | MBGEIFI | PSEi TR |
|------------------------------|----------|----------|
| Volatility (3σ, 1-day) | +/- 1.6% | +/- 2.7% |
| Correlation to PSEi | 0.44 | 1.0 |
| Beta | 0.25 | 1.0 |
| Stock holdings | 92.8% | 100.0% |
| Large cap (> \$3bln) | 24.3% | 95.9% |
| Mid cap (\$500mln to \$3bln) | 61.1% | 4.1% |
| Small cap (< \$500mln) | 14.7% | Nil |
| Philippines allocation | 78.7% | 100.0% |
| Vietnam allocation | 21.3% | 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 | -5.5% | -7.9% |
| 3 months | -14.0% | -9.5% |
| 6 months | -19.1% | -10.2% |
| 1 year | -19.7% | -8.6% |
| Launch (cumulative) | -15.3% | -15.0% |
| Launch (annualized) | -7.8% | -7.6% |
| Months with gains | 32.0% | 52.0% |
| Volatility of returns p.a. | 8.2% | 14.4% |
| 1-yr Sharpe ratio (RFR 6%) | -2.89 | -0.87 |

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 139 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 |