

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of November, shares gained 11.5% to 96.55, outperforming the PSEi TR which gained 7.5%. Since the Fund's inception, shares have lost 16.4%, outperforming PSEi TR which lost 18.3% for the same period.

As the year draws to an end, sorely needed good news on the vaccine front has come, with leading manufacturers, Pfizer, Moderna, and AstraZeneca all reporting positive vaccine developments. First vaccinations have begun in the UK, as the covid vaccine's historic mass rollout begins less than a year after the outbreak. Locally, the covid situation seems to be more manageable with confirmed cases having leveled off at 1,5000-2,000 daily, while occupancy rates for covid treatment have come down. These developments helped lift the PSEi, which climbed 7.4% in November. Meanwhile, the BSP surprised the market with a 25 bps rate cut to 2% (a record low) in response to indicators of slower economic recovery amid muted business and household sentiment. The Senate passage of the CREATE bill, the second package of the administration's tax reform program which aims to reform and restructure corporate taxes has been described by Sec. Dominguez as the largest stimulus package for those businesses battered by the economic impact of COVID. Some of the salient points of the bill are the reduction in the corporate tax rate from 30 to 25%, and reduction by 1 ppt every year starting 2023 until it reaches 20%. This bill is expected to help speed up economic growth through job creation and attract more investment to help jumpstart the economy. On the upside, the rate cut alongside QE+DM will help buoy stock valuations ahead of corporate earnings recovery.

Our companies' earnings showed marked improvement QoQ amid easing lockdowns but are still below pre-covid levels. Our construction company reported a net loss of 211 mln in 3Q, slightly better than its reported 2Q loss of 847 mln. In 3Q, they reported 4.3 bln in total revenues from construction contracts up +175% QoQ (-34% YoY in 9M20). We have a long-term view of this company as it is poised to benefit from the infra push. Their 2-3-year infrastructure order book remains healthy, at P52.5 bn in 9M excluding the P7.42 bln Malolos-Clark Railway. Moreover, their international operations via their Middle Eastern subsidiary continue to grow substantially, reporting a 238% YoY jump in its contributions to the overall company. Our GenCo.'s company's 3Q recurring net income declined 5% YoY (-12% YoY in 9M) as a result of lower average prices, an unexpected plant outage, and the 2-week implementation of MECQ back in August. Its prospects remain solid given the pick-up in demand as evidenced by the rising sales volume of Meralco, and the energy policy shift to clean energy. Our holdco registered net income up 2.9% YoY in 9M20. The bulk of which came from its banking arm, with net income surging 31.5% YoY in 9M driven by better margins from core lending and higher trading gains. Its residential real estate revenues also showed some improvements, growing 47% QoQ.

It has been a tough year not just the market but for our companies as well. At the onset of the pandemic, it may have been easy to get scared out of our positions, but as investors in long-term value, we take advice from a guy who clearly knows how it's done: Ignore the stock market, ignore the economy, and buy a business you understand (Warren Buffett). With 2020 coming to a close, we look forward to a new year in 2021. With that we hope for the continued safety of you and your loved ones and wish you Happy Holidays!

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

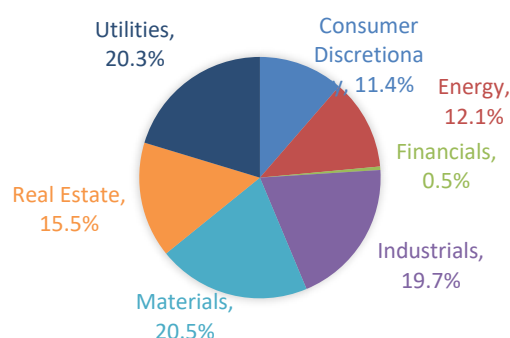
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-5.5%	-7.6%	-26.1%	12.7%	-1.9%	7.2%	-2.1%	2.9%	4.6%	3.8%	11.5%		-6.7%
PSEi TR ¹	-7.9%	-5.7%	-20.9%	7.2%	2.5%	6.6%	-4.4%	-0.5%	-0.3%	7.9%	7.5%		-11.5%

¹ Philippine Stock Exchange Index Total Return;

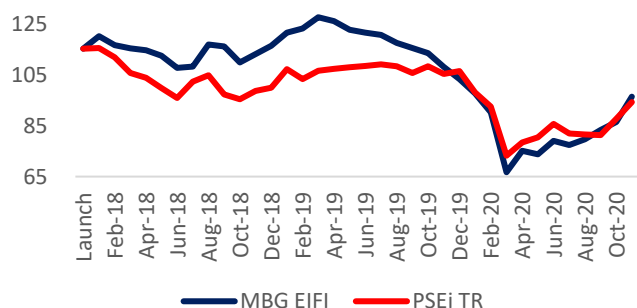
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 4.4%	+/- 6.0%
Correlation to PSEi	0.68	1.0
Beta	0.49	1.0
Stock holdings	93.5%	100.0%
Large cap (> \$3bln)	5.6%	96.1%
Mid cap (\$500mln to \$3bln)	61.5%	3.9%
Small cap (< \$500mln)	32.9%	0.0%
Philippines allocation	79.1%	100.0%
Vietnam allocation	20.9%	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	-6.7%	-11.5%
3 months	21.1%	15.6%
6 months	30.8%	17.2%
1 year	-10.8%	-10.6%
Launch (cumulative)	-16.4%	-18.3%
Launch (annualized)	-6.0%	-6.7%
Months with gains	40.0%	51.4%
Volatility of returns p.a.	22.3%	32.2%
1-yr Sharpe ratio (RFR 6%)	-0.66	-0.45

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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 150 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