

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of August, shares gained 1.5% to 97.38, underperforming the PSEi TR which gained 9.7%. Since the Fund's inception, shares have lost 15.7%, outperforming PSEi TR which lost 16.2% for the same period.

The Philippine government extended its coronavirus curbs as daily Covid-19 infections continue to hit new highs. The surge in cases put a damper on the economic growth outlook for the year with the gov't cutting its GDP growth target from 6-7% to 4-5%. Though the PSA reported that 2Q21 GDP grew 11.8% (vs -17% in 2Q20), seasonally adjusted, 2Q21 GDP contracted 1.3% QoQ. Economic Planning Secretary Karl Chua has said that the economic losses for every week the capital and nearby provinces are under the second-strictest lockdown costs the economy as much as Php 74 bln. As vaccines continue to arrive, vaccine roll-out remains key to striking a better balance between restoring economic activity and safeguarding public health. In spite of the uptick in cases, improving mass vaccination provided some cause for optimism. As of September 15, 20.5% of the population have received at least one dose, with 16% fully vaccinated. In Metro Manila, which has the highest vaccination coverage, 63% have had at least one jab, and 44% of its target eligible population is fully vaccinated. The region has also moved towards reopening, instituting targeted lockdowns with 5 "Alert Levels" depending on Covid cases to allow for more business activity.

Meanwhile, the national government submitted a proposed record high Php 5tln (+11.5% YoY) national budget, with Php 1.8 tln allocated for infrastructure projects in 2022. The infra budget exhibits the administration's commitment to the growth-enabling "Build, Build, Build program" to link centers of economic activity and improve productivity. This bodes well for both our cement and infra companies which have seen good earnings recovery as gov't and private sector continue with construction projects amid lockdowns. Our infra company in particular's 2Q21 consolidated revenues grew 208% YoY and 34% QoQ, as operations were allowed despite the reimposition of MECQ/ECQ lockdowns which has allowed its infra projects to now operate at full capacity. Even with the company's sustainable backlog of projects which should last 2-3 years, the company continues to bid for more mega infra projects through the government's BBB program. Moving forward, we're excited about their prospects as we see much opportunity in the sector for years to come. Our energy company reported revenues up 18% QoQ in 2Q21, resulting in a 12% YoY increase in 1H21 revenues. This was mainly due to its 97 MW plant's 16x increase in revenues as well as higher WESM revenues. Moreover, global investment firm KKR plans to further increase its stake in the company and made a tender offer for shares of the firm, representing a 16% premium to the share's last price on Aug 26 and a 15% premium compared to its 12 month VWAP. Lastly, we've recently been adding a new name to the portfolio which we felt presented a good buy opportunity. We'll keep you posted once it's completed.

With all the uncertainty surrounding lockdowns and reopening announcements, we maintain our longer-term view and stick to our investing plan. As Peter Lynch said, "Understand the nature of the companies you own and the specific reasons for holding the stock. (It is really going up!" doesn't count). By putting your stocks into categories you'll have a better idea of what to expect from them." We remain confident in our companies, and we look forward to seeing them continue their path of recovery and growth.

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)

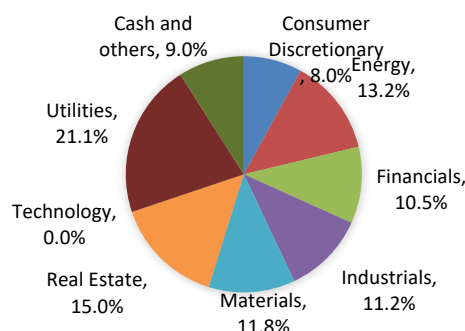
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%	0.2%	-1.7%	6.4%	-4.8%	1.5%					-4.5%
PSEi TR ¹	-7.4%	2.8%	-4.5%	-1.0%	4.3%	4.2%	-9.1%	9.7%					-2.5%

¹ Philippine Stock Exchange Index Total Return;

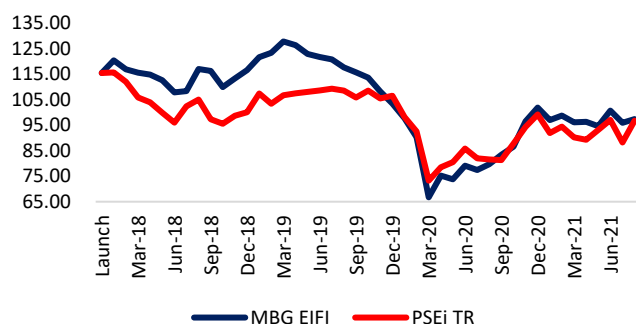
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.3%	+/- 3.6%
Correlation to PSEi	0.38	1.0
Beta	0.24	1.0
Stock holdings	91.0%	100.0%
Large cap (> \$3bln)	1.0%	93.8%
Mid cap (\$500mln to \$3bln)	81.3%	6.2%
Small cap (< \$500mln)	17.8%	0.0%
Philippines allocation	99.0%	100.0%
Vietnam allocation	1.0%	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	-4.5%	-2.5%
3 months	2.9%	3.9%
6 months	-1.4%	2.4%
1 year	22.2%	18.6%
Launch (cumulative)	-15.7%	-16.2%
Launch (annualized)	-4.6%	-4.7%
Months with gains	43.2%	52.3%
Volatility of returns p.a.	11.7%	19.9%
1-yr Sharpe ratio (RFR 6%)	1.55	0.73

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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 157 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