

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of October, shares gained 4.7% to 100.77, outperforming the PSEi TR which gained 1.5%. Since the Fund's inception, shares have lost 12.7%, outperforming PSEi TR which lost 13.7% for the same period.

The Philippines' 3Q GDP slowed to 7.1% YoY (vs +12% in Q2) as a result of the renewed lockdowns driven by the delta variant surge. Though weaker than the previous quarter, year-to-date GDP growth stands at 4.9%, well within the 4-5% full-year target. Entering the final quarter of the year, daily new cases have declined to 2,891 vs the peak of 21k in September. This encouraged the government to announce a lower lockdown level for Metro Manila (Alert Level 2), allowing malls, restaurants, and most businesses to operate at increased capacity. The vaccination rate has also picked up with as many as 94% of the target population of Metro Manila fully vaccinated. Nationwide, at least 33% (35.6 mln) of the population is fully vaccinated. Mobility data has also seen remarkable improvement, rising to nearly pre-pandemic levels. The BSP is set to keep rates steady and accommodative for the remainder of the year to support economic recovery.

Our cement company reported net income growth of 1% YoY in 3Q21 (-30% QoQ), bringing 9M figures up 89% YoY on the back of double-digit sales growth as a result of their aggressive pricing strategy. Its net sales has since recovered to pre-pandemic levels. Management indicated that while increasing input prices took a hit on 3Q results, margins are still at favorable levels and above that of competitors. Moreover, their planned plant expansion which includes a 5th cement mill has been completed.

Our power company booked net income of \$64 mln in 3Q21 (+11% YoY, -8% QoQ). This brought 9M21 results up 11% YoY, driven by growth in its natural gas segment and lower tax expenses from its older gas plants. While its nat gas supplier underwent a maintenance period, leading the company to rely on more expensive fuel until the facility went back online, the rising fuel costs are 100% pass-through which should keep margins stable. Its LNG terminal is set to operate in 4Q22 which should help to minimize any volatility in input costs.

Our holding co. posted net income attributable to equity holders' growth of 22% YoY in 3Q21. This brought 9M21 profits to Php 6.2 bln, from Php 8.8 bln in the same period last year. About half of the bottom line is attributable to its banking arm. While the bank posted lower net profits of Php 5.1 bln in 3Q21 (-14% YoY) due to lower net interest income and trading gains, it continued to maintain a high return on equity of 11.7% and its industry leading net interest margin of 6.9%.

While risks remain, we're optimistic about the budding signs of recovery. The pandemic may have put the world on hold, but our portfolio of companies is poised to thrive in the Philippines' recovery and growth story. As Charlie Munger aptly put it, "The big money isn't on the buying or selling, but in the waiting."

With the holidays just around the corner, we continue to wish for the 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)

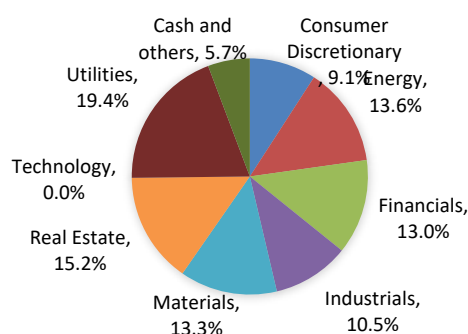
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%	0.2%	-1.7%	6.4%	-4.8%	1.5%	-1.2%	4.7%			-1.2%
PSEi TR <sup>1</sup>	-7.4%	2.8%	-4.5%	-1.0%	4.3%	4.2%	-9.1%	9.7%	0.5%	1.5%			0.4%

<sup>1</sup> Philippine Stock Exchange Index Total Return;

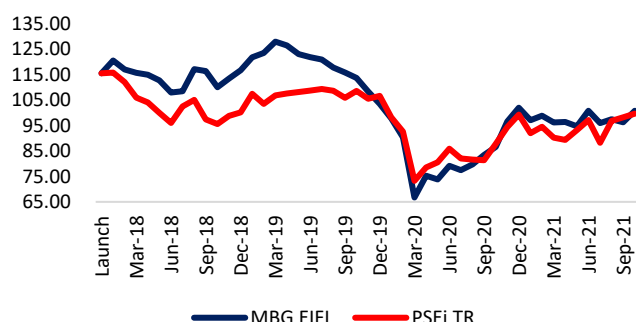
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.3%	+/- 3.5%
Correlation to PSEi	0.35	1.0
Beta	0.24	1.0
Stock holdings	94.8%	100.0%
Large cap (> \$3bln)	1.0%	93.8%
Mid cap (\$500mln to \$3bln)	84.0%	6.2%
Small cap (< \$500mln)	15.1%	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	-1.2%	0.4%
3 months	5.0%	12.9%
6 months	4.6%	11.6%
1 year	16.4%	13.5%
Launch (cumulative)	-12.7%	-13.7%
Launch (annualized)	-3.5%	-3.8%
Months with gains	43.5%	54.3%
Volatility of returns p.a.	11.8%	19.4%
1-yr Sharpe ratio (RFR 6%)	1.05	0.49

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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 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. <a href="mailto:info@mbgfunds.com">info@mbgfunds.com</a> <a href="http://www.mbgfunds.com">www.mbgfunds.com</a> Tel: +63 2 956 7254 Fax: +63 2 956 7065