

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of December, shares lost 1.5% to 94.24, underperforming the PSEi TR which lost 1.0%. Since the Fund's inception, shares have lost 18.4%, underperforming PSEi TR which lost 12.7% for the same period.

With 2021 drawing to a close, the local exchange ended the year almost flat (-0.24%) amid investor fears of another surge in Covid cases as infections picked up during the holiday season. Daily cases jumped from a low of 300 per day in early December to 3k by the end of the month. Majority of cases appear to be mild and hospital rates remain manageable presumably due in part to vaccination efforts which continue to make progress. To date, 46% of the population is fully vaccinated.

The last quarter of the year saw encouraging macro data, spurring optimism for 4Q economic growth and corporate earnings, as low case counts and loosened pandemic restrictions buoyed business activity and brought mobility to Covid-era highs. This brought unemployment down to 6.5% in Nov from 7.4% in Oct, and manufacturing data to an 8-month high of 51.7. Inflation further eased to 3.6% in Dec (the lowest in 2021) from 4.2% in Nov. However, despite the slowdown, full-year inflation breached 4.5%--above the BSP's 4.4% target for 2021. Nonetheless, easing inflation should help monetary policy makers keep rates lower for the time being as the BSP is set to keep the record low policy rates unchanged to help sustain economic recovery. The improving pandemic situation led the Philippine economy to end the year with GDP growth of 5.6% in 2021, a rebound from the -8.3% contraction in 2020, after better-than-anticipated performance of 7.7% GDP growth in 4Q21. Cautiously optimistic, the government has set a GDP growth target of 7-9% for 2022.

Meanwhile, the country's central and southern regions were hit by the strongest typhoon of the year. The affected areas comprise about ~20% of GDP (as per Regis estimates), with damage and disruptions to agriculture and tourism activities expected to be felt until 2022. However, restoration and rehabilitation activities are expected to help counter the negative economic impact caused by Typhoon Odette. Looking into our holdings, our oil company's fuel stations sustained some damage but have since been fully restored and resumed operations.

President Duterte signed into law the Php5 trillion 2022 national budget, equivalent to 21.8% of GDP. Approximately Php1,180 bln or 5.3% of GDP will go towards accelerating the government's Build 3x program. This bodes well for our construction company as it is well positioned to win upcoming projects under the government's flagship infra program. Our local cement company is also expected to benefit from provisional anti-dumping duties on cement imports, which will help remove price disadvantages to local cement manufacturers and likely ease pricing pressure.

While it was another difficult year for our companies, their continued resilience in these trying times reinforces the importance of good companies and strong management. As Ben Graham says, "Investment is most intelligent when it is most businesslike". We maintain our convictions and believe there is still upside to come given their significant growth and expansion potential going into the new year.

We'd like to thank you for your continued trust and support. With that we wish you and your loved ones a happy and healthy 2022. Happy New Year!

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

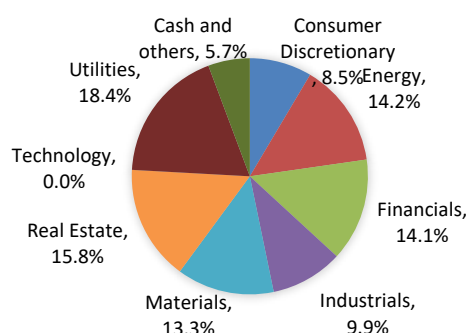
2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-4.8%	1.8%	-2.7%	0.2%	-1.7%	6.4%	-4.8%	1.5%	-1.2%	4.7%	-5.1%	-1.5%	-7.6%
PSEi TR ¹	-7.4%	2.8%	-4.5%	-1.0%	4.3%	4.2%	-9.1%	9.7%	1.4%	1.5%	2.2%	-1.0%	1.6%

¹ Philippine Stock Exchange Index Total Return;

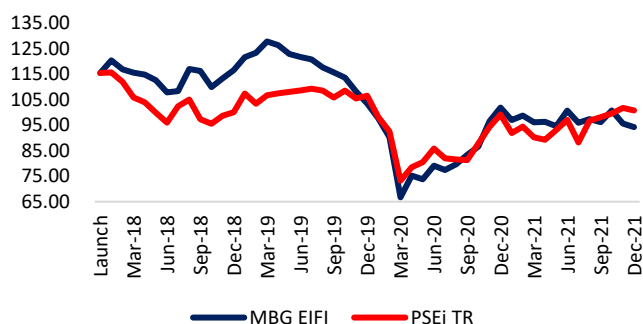
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.4%	+/- 3.4%
Correlation to PSEi	0.37	1.0
Beta	0.26	1.0
Stock holdings	94.3%	100.0%
Large cap (> \$3bln)	1.0%	94.5%
Mid cap (\$500mln to \$3bln)	83.4%	4.3%
Small cap (< \$500mln)	15.6%	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	-7.6%	1.6%
3 months	-2.1%	2.7%
6 months	-6.4%	3.8%
1 year	-7.6%	1.6%
Launch (cumulative)	-18.4%	-12.7%
Launch (annualized)	-5.0%	-3.4%
Months with gains	41.7%	54.2%
Volatility of returns p.a.	11.8%	18.6%
1-yr Sharpe ratio (RFR 6%)	-0.98	-0.13

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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 154 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