

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of February, shares gained 0.1% to 92.36, outperforming the PSEi TR which lost 0.7%. Since the Fund's inception, shares have lost 20.0%, underperforming PSEi TR which lost 10.6% for the same period.

Just as countries were rebuilding from the economic fallout inflicted by the COVID-19 pandemic, the escalating conflict between Russia-Ukraine had ripple effects across the globe, leading to increased uncertainty in global markets. Geopolitical tensions sent oil prices through the roof, with international benchmark Brent oil leaping to a high of US\$139—its highest since 2008, on concerns of potential global supply chain disruptions and rising commodity prices as historic sanctions were imposed on major crude exporter, Russia (10% of crude oil supply).

The Philippine economy, still fragile and just seeing mobility restrictions being eased to Alert Level 1 (allowing nearly all businesses to operate at full capacity) may see its recovery dragged by the conflict's spillover effects. Concerns over rising oil prices and subsequent inflation hurting consumer spending and corporate earnings overshadowed the country's transition to the lowest quarantine restriction on the back of improving pandemic statistics. Nationwide, cases are on the downtrend with more than 63 mln Filipinos fully vaccinated (58% of total population) and daily cases now averaging 1,000/day vs the peak of 39k in the previous month. Meanwhile, Philippine inflation in Feb remained at 3%, well within the government's 2-4% target range. However, elevated inflation may compel the BSP to raise rates sooner than expected should the economic impact of the Ukraine-Russia conflict continue to raise prices. The PH PMI hit a 3-year high in Feb.

Looking into our portfolio, our oil and gas company swung back to profitability with a reported net income of P6.14 billion for full year 2021 from a loss a year ago due to higher sales volume (+5%) from the rebounded demand of easing restrictions and restarting of economic activities. We are excited for the completion of its new 184-megawatt power plant in its Bataan refinery complex slated in 2H22. This new plant will eliminate use of fuel oil and allow conversion of these feedstock into high value products for sale. Our cement company remains robust, recording 4Q21 net income of P947 mln (+35% YoY, -31% QoQ), bringing FY21 income to P6 bln (+78% YoY). While its 4Q21 results came in lower as margins contracted on the back of higher input costs and lower cement prices, the company was able to beat its pre-pandemic net sales and income results. The company intends to optimize its waste-heat recovery facility to help bring down costs. While the construction of its Cebu plant remains on hold, the company has located a favorable location in Luzon for a new plant and have begun talks for its construction. We continue to like our company given its super profit margin of 28% vs its competitors (3% and 11% in 9M21). Looking ahead, we remain positive on the Philippine's continued reopening and rebound story despite heightened inflationary risks. Our companies are poised to benefit from the recovery in consumption as gov't spending and projects continue post-election. While it has been a difficult last couple of years, the business case of our companies remains sound. We take time to recall that the single greatest edge an investor can have is a long-term orientation." — Seth Klarman. That is, in the long-term, it is a company's business fundamentals that will determine its price.

With that we wish for the continued safety of you and your loved ones.

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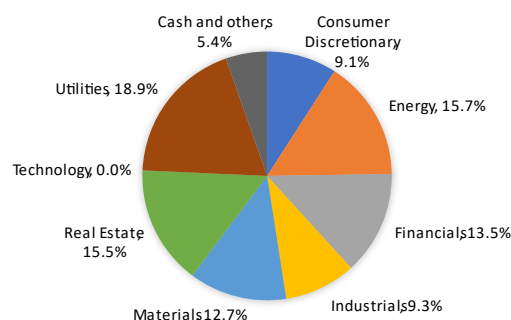
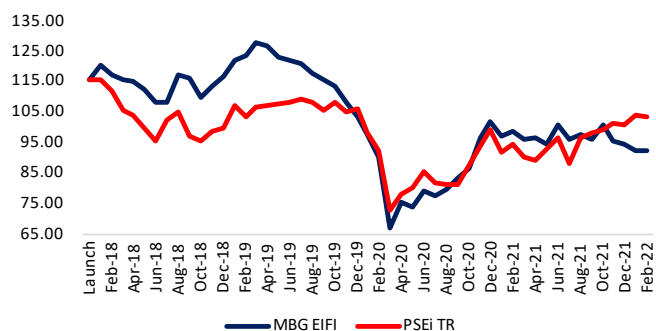
Performance MBG Equity Investment Fund, Inc. (MBG EIFI), net of all fees (in PHP)

2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%											-2.0%
PSEi TR ¹	3.4%	-0.7%											2.7%

¹ Philippine Stock Exchange Index Total Return;

Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.3%	+/- 3.3%
Correlation to PSEi	0.35	1.0
Beta	0.24	1.0
Stock holdings	94.6%	100.0%
Large cap (> \$3bln)	1.1%	94.8%
Mid cap (\$500mln to \$3bln)	83.9%	4.2%
Small cap (< \$500mln)	15.1%	0.0%
Philippines allocation	98.9%	100.0%
Vietnam allocation	1.1%	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	-2.0%	2.7%
3 months	-3.5%	1.7%
6 months	-5.2%	7.0%
1 year	-6.5%	9.5%
Launch (cumulative)	-20.0%	-10.6%
Launch (annualized)	-5.2%	-2.7%
Months with gains	42.0%	52.0%
Volatility of returns p.a.	10.9%	18.3%
1-yr Sharpe ratio (RFR 6%)	-0.97	0.30

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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 151 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