

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of June, shares lost 2.7% to 76.17, outperforming the PSEi TR which lost 9.1%. Since the Fund's inception, shares have lost 34%, underperforming PSEi TR which lost 23.6% for the same period.

The PSEi closed the first half of 2022 down 13.6% YTD as global slowdown fears loomed over investors. Recession concerns have only compounded amid elevated inflation, a depreciating peso and monetary tightening from the BSP. The inflation print soared to 6.1% in June from 5.4% in May. In a bid to temper inflation, the BSP unexpectedly raised key rates by 75 bps in July, bringing the benchmark rate to 3.25%, albeit at a slower pace than the U.S Fed's +150bp YTD, putting pressure on the local currency. Keeping the door open for further tightening, the BSP has signaled a potential interest rate hike of half a point at its next meeting in August. Meanwhile, the peso weakened to the Php 55-level as central banks around the world continued to hike key rates. The peso, which started the year off at 51-\$1, has since depreciated 7.4%. Foreigners continued to be net sellers for the month worth US\$207 mln.

While the macroeconomic backdrop poses a challenge for the Philippines, in a recent report by S&P Global, the country's GDP could grow strongly by 6.5% this year (vs 5.7% in 2021), underpinned by strengthening private consumption spending, continuing infrastructure spending, and improving remittance inflows. Though Covid numbers have been on the rise, with daily average cases now at 3k per day, they are mostly mild. Hospital utilization rates remain at low risk at both the national and regional level. With mobility now above pre-pandemic levels, and unemployment at its lowest since the start of the pandemic, the economic reopening story remains largely intact, underpinned by rising domestic investment and demand.

The construction industry is expected to recover as pandemic restrictions are eased; however, rising fuel prices and inflation have driven construction costs upwards. Nevertheless, during his first State of the Union Address, President Marcos said that he plans to continue Duterte's infra program and sustain infra spending at 5-6% of GDP to spur economic growth. Our construction company is poised to benefit from this initiative. To better deploy capital and maintain flexibility, the company has reallocated the balance of its proceeds (Php4.16 bln) to general working capital for existing and future projects to take advantage of the suppressed demand of prolonged delays of projects from the pandemic. Its existing pipeline of unworked contracts by the end of 1Q22 stood at a healthy level of P52 bln, and they remain well-positioned to bid for more mega infra contracts under the government's BBB program. Meanwhile, we are excited about our renewable energy company's prospects given its upcoming LNG terminal. Due to be completed by 2Q or 3Q of next year, its terminal is an opportunity to venture into the downstream nat gas industry and supply the natural gas requirements to third parties once operational.

Looking ahead, we remain positive on Philippine equities as the country navigates its way through these volatile times. We remain confident in our portfolio and firmly believe our companies are resilient to weather any headwinds.

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)

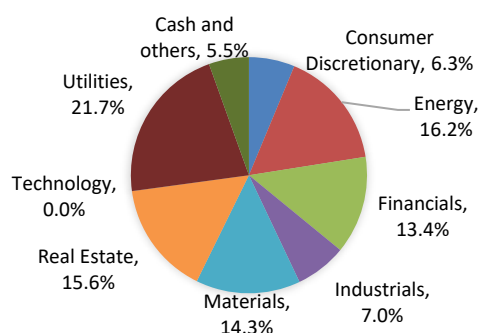
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%	-5.2%	-4.2%	-6.6%	-2.7%							-19.2%
PSEi TR <sup>1</sup>	3.4%	-0.7%	-0.6%	-6.5%	1.0%	-9.1%							-12.5%

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

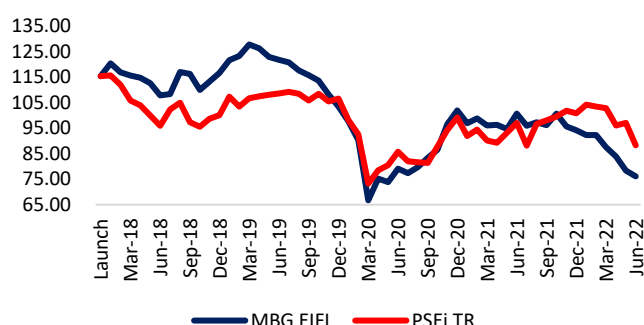
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.1%	+/- 3.6%
Correlation to PSEi	0.35	1.0
Beta	0.20	1.0
Stock holdings	94.5%	100.0%
Large cap (> \$3bln)	1.0%	91.5%
Mid cap (\$500mln to \$3bln)	84.8%	8.3%
Small cap (< \$500mln)	14.2%	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	-19.2%	-12.5%
3 months	-13.0%	-14.2%
6 months	-19.2%	-12.5%
1 year	-24.4%	-9.1%
Launch (cumulative)	-34.0%	-23.6%
Launch (annualized)	-8.9%	-5.8%
Months with gains	38.9%	51.9%
Volatility of returns p.a.	11.1%	20.0%
1-yr Sharpe ratio (RFR 6%)	-2.55	-0.65

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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 118.6 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