

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of July, shares gained 0.4% to 97.38, underperforming the PSEi TR which gained 2.6%. Since the Fund's inception, shares have lost 33.7%, underperforming PSEi TR which lost 21.6% for the same period.

The local bourse inched up slightly in July, following a steep 9.1% decline in June as recession concerns, rising interest rates and a weaker peso continued to dampen market sentiment. Inflation remained elevated, with consumer prices growing 6.4% in July amid rising food inflation. The BSP opted to take a more proactive stance and moved to deliver a surprise 75bp rate hike in line with the aggressive hikes seen in other countries, bringing the policy rate to 3.25%, but still below the pre-pandemic level of 4% in 2019. Aside from staving off inflation, the move should help stabilize the peso which breached a record high of 57-to-US\$1.

Despite elevated inflation, recovery in domestic demand seems to be sustained with industry data and corporate results showing demand coming close to or surpassing pre-pandemic levels though tempered by margin contractions from elevated costs of raw materials. In the first half of 2022, GDP expanded 7.8% YoY (7.4% YoY in 2Q22) making it the fastest growing economy among the Asean-5. This provided some optimism on the backdrop of inflation. Moreover, oil prices are on the decline, and supply disruptions are reportedly receding. This provided some optimism that inflation may be near peak levels or have already peaked.

Moving on to our portfolio's 2Q earnings, our cement company registered topline growth of +18.3% YoY resulting from higher sales volume and higher selling prices. However, the increase in revenue was offset by higher input costs amid the surge in prices and supply chain difficulties, which pushed its GPM to 32% (-162 bps YoY) leading to a 34% YoY decline in net income in 2Q22. Despite the contraction in net income, its net margin (1H22: 22%) remains the industry leader compared to its peers, and the company reportedly saw strong demand in July despite 3Q being a seasonally weak quarter especially in residential and infra segments.

Our oil company reported revenues reached P398 bln (+129% YoY) and consolidated net income almost doubled in 1H22 from P3.87 to P7.71 bln, attributed to strong recovery in sales volumes and higher prices in finished products. Its Philippine and Malaysian operations, including its trading subsidiary in Singapore, sold a total of 51.4 million barrels during the six-month period, up 34% from 2021's 38.5 million barrels. Owing to the sustained increase in sales volume between the combined operations of the Philippines and Malaysia, the company sees earnings tripling to P18 bln this year.

Looking ahead, we remain optimistic on Philippine equities as earnings continue to recover on the back of economic reopening and improving corporate earnings.

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)

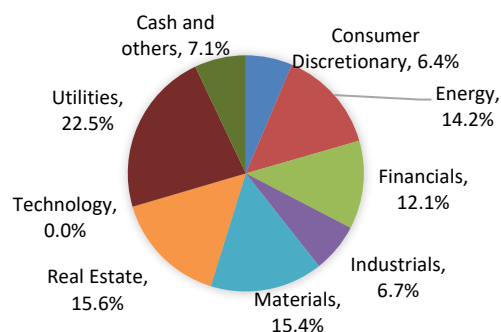
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%	-5.2%	-4.2%	-6.6%	-2.7%	0.4%						-18.8%
PSEi TR <sup>1</sup>	3.4%	-0.7%	-0.6%	-6.5%	1.0%	-9.1%	2.6%						-10.2%

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

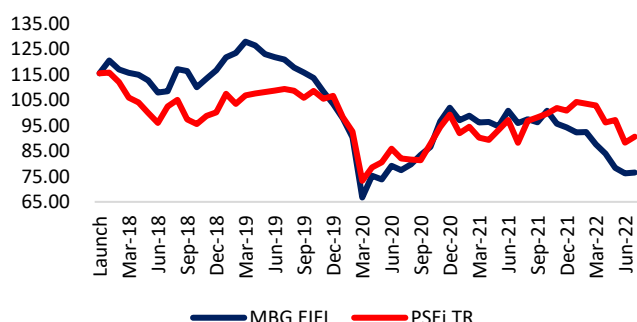
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.6%
Correlation to PSEi	0.31	1.0
Beta	0.17	1.0
Stock holdings	92.9%	100.0%
Large cap (> \$3bln)	0.0%	92.8%
Mid cap (\$500mln to \$3bln)	86.9%	7.2%
Small cap (< \$500mln)	13.9%	0.0%
Philippines allocation	100.0%	100.0%
Vietnam allocation	0.0%	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	-18.8%	-10.2%
3 months	-8.8%	-5.8%
6 months	-17.1%	-13.1%
1 year	-20.2%	2.7%
Launch (cumulative)	-33.7%	-21.6%
Launch (annualized)	-8.6%	-5.2%
Months with gains	40.0%	52.7%
Volatility of returns p.a.	11.0%	19.5%
1-yr Sharpe ratio (RFR 6%)	-2.20	-0.07

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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