

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of August, shares gained 2.4% to 78.37, underperforming the PSEi TR which gained 4.5%. Since the Fund's inception, shares have lost 32.1%, underperforming the PSEi TR which lost 18.0% for the same period.

Though the pandemic is almost behind us, and the long-awaited reopening is underway, the world has been dealt quite a blow. Negative spillover effects from the war in Ukraine, and elevated inflation, including in developed economies, has triggered a tightening of global financial conditions across the globe.

The IMF reported that the Philippines is likely to grow a little slower than previously estimated due to aggressive rate hikes and slower global growth, with forecasted growth expected at 6.5% from 6.7% but still within the government's target band of 6.5-7.5%. Despite the recession worries, the local bourse rallied amid solid 2Q corporate earnings results. Inflation held steady at 6.3% in August (vs 6.4% in July). The BSP is optimistic that inflation will decelerate to the 3% level by 2023 but added that they may do a few more rate adjustments within the remainder of the year. Meanwhile, the Philippine peso continued to depreciate against the USD, hitting an all-time low of Php 56.216 on Aug 31 (-10.72% YTD).

Moving on to our portfolio, our energy company is expected to complete the construction of its LNG terminal in 1Q23, sooner than its 2Q target. The completion of its terminal bodes well for the company as it provides much needed fuel supply security for the company and the country. In the 1H22, the company was not receiving its full gas supplies due to Malampaya gas restrictions thereby impacting its plant utilization and profitability. However, the 2H is expected to improve as they start to receive their full allotment.

Our real estate company revealed that its office vacancy rates climbed to 32% in 2Q, with the possibility of it reaching 45% as its new supply comes to market. Despite malls beginning to show signs of recovery, residential and office segments continue to face headwinds. Moreover, the exit of the POGO industry is expected to hurt the economy in the short term as they are a major source of office and housing demand, but will be beneficial in the long run. Though POGOS come with their fair share of economic benefits, they are an unstable source of business. We need sound and stable businesses with a brighter future and that bring more positive impact on the country.

We are heading towards a bigger challenge as a country. Never have we seen such depreciation of our currency. We are not alone in this, as majority of the world's currencies are depreciating against the greenback. With inflation an increasingly global concern, monetary boards are forced to raise their interest rates. This will test businesses once more, but the ones that overcome this, will come out stronger and better than ever. This crisis one after the other has forced us to accelerate our goals of becoming more efficient and self-sufficient. Food security, digital banking, energy security, and many others will come up as an opportunity. As Milton Friedman once said, "Only a crisis, actual or perceived, can produce real change". Change is coming. Embrace it.

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)

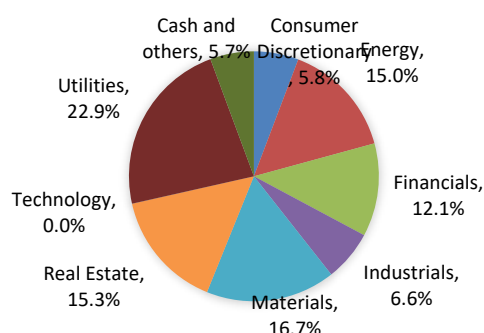
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%	-5.2%	-4.2%	-6.6%	-2.7%	0.4%	2.4%					-16.8%
PSEi TR <sup>1</sup>	3.4%	-0.7%	-0.6%	-6.5%	1.0%	-9.1%	2.6%	4.5%					-6.1%

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

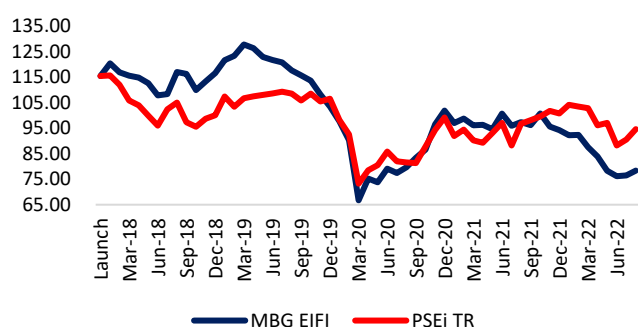
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.5%
Correlation to PSEi	0.35	1.0
Beta	0.21	1.0
Stock holdings	94.3%	100.0%
Large cap (> \$3bln)	0.0%	93.7%
Mid cap (\$500mln to \$3bln)	86.2%	6.3%
Small cap (< \$500mln)	13.8%	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	-16.8%	-6.1%
3 months	0.1%	-2.5%
6 months	-15.1%	-8.5%
1 year	-19.5%	-2.2%
Launch (cumulative)	-32.1%	-18.0%
Launch (annualized)	-8.0%	-4.2%
Months with gains	41.1%	53.6%
Volatility of returns p.a.	11.3%	18.9%
1-yr Sharpe ratio (RFR 6%)	-2.08	-0.33

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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 119.8 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