

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of September, shares lost 6.6% to 73.23, outperforming the PSEi TR which lost 12.7%. Since the Fund's inception, shares have lost 36.6%, underperforming PSEi TR which lost 28.4% for the same period.

Following a tumultuous month, the Philippine bourse fell to two-year low as global recession fears amid rising interest rates dampened investor appetite. The US Federal Reserve in its third consecutive meeting raised its policy rate by another 75 bps, sparking concern among investors that aggressive interest rate hikes by central banks around the world, in a bid to temper rampant inflation, could potentially trigger a global recession. So far, the Bangko Sentral ng Pilipinas (BSP) has raised rates by 225 bps this year to 4.25%, among the steepest in the region to help slow down inflation and moderate the peso's decline. Despite using both monetary policy and intervention in the FX market, the PH peso has depreciated 15.9% YTD against the greenback. This is seen in the latest GIR print which showed that reserves have dropped 12% since the start of the year.

In spite of the headwinds, the Philippines' growth prospects remain resilient with ADB forecasting GDP growth of 6.5% in 2022, supported by recovery in tourism, large ticket infra projects, strong remittance inflow, and an uptick in domestic demand following the return of face-to-face classes. The country's unemployment rate dropped to 5.2% in July, its lowest since the onset of the pandemic. The PMI recorded a 3-month high at 52.9, attributed to an increase in customer demand. Vehicle sales also remain on track, posting double-digit sales growth of 25.1% in the 8M22. Furthermore, non-performing loans are expected to ease in the coming months, with the NPL ratio dropping to 3.57% in July, a 22-month low.

Moving on to our portfolio, our cement company's share price jumped following the announcement that 88.5% of it would be acquired by an affiliate conglomerate at P22.02 apiece, a 43% premium over the stock's closing price before the announcement. This bodes well for the fund as the conglomerate will be required to make a tender offer for minority shareholders. We are waiting to see how this deal will turn out as it requires the approval of Philippine Competition Commission (PCC). Our construction company was off to a slow start in the 1H22 due to delayed contracts as a result of the election ban on construction spending. However, it has bagged another civil works deal for the South Commuter Rail segment, adding to its existing Php 53 bln orderbook. Though headwinds will persist given rising input costs and a depreciating peso, we are optimistic in the company's prospects given the new administration's continued focus on infra programs to boost economic development. The proposed 2023 budget has an allocation of P1.2 tln (~23%) of the budget next year.

In these trying times, we take care to remember that "We don't prognosticate macroeconomic factors, we're looking at our companies from a bottom-up perspective on their long-run prospects of returning." — Mellody Hobson

We maintain our conviction in our companies, knowing fully well that we are invested in a strong portfolio of businesses that have obvious prospects well into the future.

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)

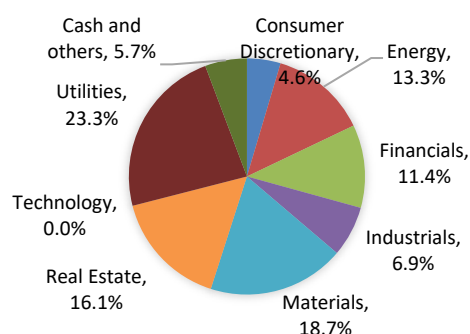
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%	-5.2%	-4.2%	-6.6%	-2.7%	0.4%	2.4%	-6.6%				-22.3%
PSEi TR ¹	3.4%	-0.7%	-0.6%	-6.5%	1.0%	-9.1%	2.6%	4.5%	-12.7%				-18.0%

¹ Philippine Stock Exchange Index Total Return;

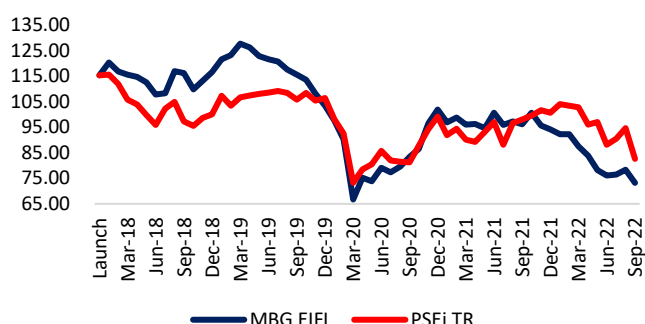
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.6%
Correlation to PSEi	0.37	1.0
Beta	0.21	1.0
Stock holdings	94.3%	100.0%
Large cap (> \$3bln)	0.0%	90.8%
Mid cap (\$500mln to \$3bln)	68.5%	9.2%
Small cap (< \$500mln)	31.5%	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	-22.3%	-18.0%
3 months	-3.8%	-6.4%
6 months	-16.3%	-19.7%
1 year	-23.9%	-15.8%
Launch (cumulative)	-36.6%	-28.4%
Launch (annualized)	-9.2%	-6.8%
Months with gains	40.4%	52.6%
Volatility of returns p.a.	11.2%	20.0%
1-yr Sharpe ratio (RFR 6%)	-2.49	-0.99

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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 112.0 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