

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of October, shares gained 3.9% to 76.12, underperforming the PSEi TR which lost 7.3%. Since the Fund's inception, shares have lost 34.1%, underperforming PSEi TR which lost 23.2% for the same period.

Following selloffs which sent the index to the 5,700 level in Sept, the Philippine bourse rebounded 7.2% MoM in Oct. Markets continued to play close attention to the US Fed, which continued its aggressive monetary tightening, announcing a further 75 bps rate hike—its fourth consecutive increase to help tackle elevated inflation. Back home, the Bangko Sentral ng Pilipinas followed suit, matching the 75 bps and raising the policy rate to 5% in order to maintain the interest rate differential to ensure exchange rate stability. The BSP has taken further steps to intervene in the FX market, helping to strengthen the PHP to 57.98/US\$ as of end Oct (from 58.647/US\$ in Sep), as capital outflows coupled with a ballooning USD41.8bn trade deficit for 8M2022 (+69% YoY) mounted pressure on the local currency. The rate hike is expected to help mitigate the impact of a weaker peso on inflation, which climbed to 7.7% in Oct, from 6.9% in August—a 14-year high as geopolitical risks boosted demand for the dollar.

Despite these headwinds, the BSP is positive that the Philippines is ready to face any challenges as the domestic economy continues to reopen and recover. The Philippine economy expanded faster than expected in 3Q22, coming in at 7.6%, the 2nd highest in Southeast Asia behind Vietnam, putting it on track to beat the government's full-year target. Bank lending accelerated to its quickest pace in 27 months as credit growth jumped 13.4% YoY, the fastest since March 2020. Expansion in lending activity and liquidity will support the recovery of economic activity along with domestic demand and employment. Unemployment improved to 5% in Sept as PH factory activity moderated in October to 52.6, within expansion territory despite higher costs weighing on manufacturers. S&P reaffirmed the country's investment-grade 'BBB+' rating citing its expectation that the economy will maintain its growth trajectory.

We now turn towards 3Q earnings season. Looking into our portfolio, our oil company continued its strong performance in 9M22, posting consolidated net income of P8.2bln (+64% YoY) as sales surged +116%. Consolidated sales volumes reached 80.4 million barrels (+37% YoY) while domestic volumes jumped by 40%, with the recovery in industrial demand and aviation sector. Our energy company reported 9Q22 core income down (-8% YoY) to \$194mln amid higher taxes, interest expenses, and operational issues related to the return of inadequate Malampaya gas supply. The company is scheduled for commissioning of its upcoming terminal in Mar 2023, seen to stabilize the power supply and help address fuel supply security issues.

We are pleased to update that the acquisition of Eagle Cement by San Miguel Corp is set to proceed as the deal is not subject to review by the government's anti-trust body. We will be participating in the tender offer at a price of P22.02 per share at an average cost of P14.05 (+57%).

For the time being, though the outlook remains uncertain amid geopolitical tensions, rate hikes, and stubbornly high inflation, the recovery of the Philippines is still very much on track, and our portfolio remains resilient to weather any headwinds ahead.

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

Newsletter

MBG Equity Investment Fund, Inc.

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

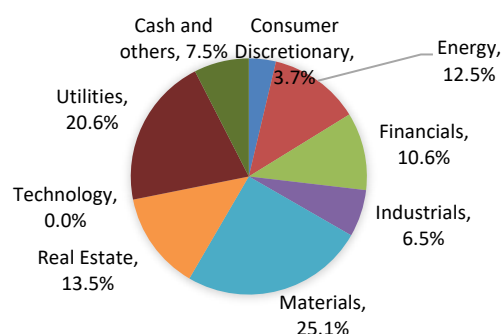
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%	-5.2%	-4.2%	-6.6%	-2.7%	0.4%	2.4%	-6.6%	3.9%			-19.2%
PSEi TR ¹	3.4%	-0.7%	-0.6%	-6.5%	1.0%	-9.1%	2.6%	4.5%	-12.7%	7.3%			-12.0%

¹ Philippine Stock Exchange Index Total Return;

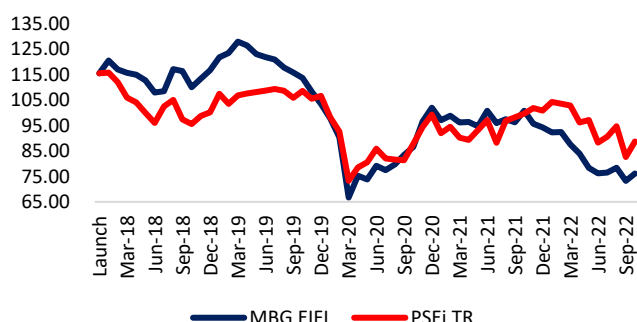
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.2%	+/- 3.7%
Correlation to PSEi	0.32	1.0
Beta	0.19	1.0
Stock holdings	92.5%	100.0%
Large cap (> \$3bln)	27.1%	92.8%
Mid cap (\$500mln to \$3bln)	43.4%	7.2%
Small cap (< \$500mln)	29.5%	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	-19.2%	-12.0%
3 months	-0.5%	-2.1%
6 months	-9.3%	-7.8%
1 year	-24.5%	-11.0%
Launch (cumulative)	-34.1%	-23.2%
Launch (annualized)	-8.3%	-5.3%
Months with gains	41.4%	53.4%
Volatility of returns p.a.	11.4%	20.4%
1-yr Sharpe ratio (RFR 6%)	-2.49	-0.74

Newsletter

MBG Equity Investment Fund, Inc.

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 116.0 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