

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of December, shares lost 1.2% to 75.27, outperforming the PSEi TR which lost 1.6%. Since the Fund's inception, shares have lost 34.8%, underperforming PSEi TR which lost 16.6% for the same period.

The local bourse lost -3.16% for the month of December as global recession fears drove renewed foreign selling. Though the index ended the year in the red, the +10% climb in November significantly tempered the PSEi's YTD decline to -7.8% in Dec from -19.4% in 3Q22.

Inflation inched up slightly, with the December print coming in at 8.1% (from 8% in Nov), the highest since November 2008 on higher food and energy prices. As a result, the BSP increased its 2023 inflation estimate to 4.5% from 4.3%, signaling expectations of elevated inflation for longer. In its Dec meeting, the Monetary Board moved to raise the policy rate to 5.5% (+50 bps), bringing the policy rate to its highest since 2008 (~6%). We think domestic inflation is nearing its peak, and though we expect further tightening, the need for larger interest rate rises to match the US Fed is fading. Rate hikes are forecasted to continue into the new year with a terminal rate of ~6% before retreating to 5.5% by the end of 2023.

Though there are fears of the global economy potentially facing a slowdown in 2023, there is some cause for optimism as the Philippines' post-recovery demand momentum carries into the new year. Following strong 3Q22 GDP results, full year 2022 GDP is expected to expand by at least 7.22% YoY. The country is forecasted to grow one of the fastest among its ASEAN members with forecasted GDP growth at 6-7% in 2023 amid strong recovery in consumption, improving employment figures, and resilient OFW remittances. Unemployment eased to 4.2% in November, translating to 2.17 mln unemployed Filipinos, the lowest level in over 17 years. Moreover, the Philippine Property Sector Index rose +19% in 4Q22 as retail, office, and residential sustained their positive momentum, with retail expected to lead amid the return to school and office. In 9M22, mall operators reported mall traffic close to 95% of pre-pandemic levels and Google mobility estimates show retail and recreation already 34% over pre-Covid levels as of Oct 2022.

Moving on to our portfolio, we exited our position in our cement company during the month which has left us with a considerable amount of cash. As a result, cash has grown to 33% of the total portfolio. We plan to deploy the proceeds from the sale into some of our existing positions and into a few new names that present a good buy opportunity. We'll keep you posted once we've built up our fund's position.

While we are cautiously optimistic that the economy will move into a positive direction in the second half of next year, we will continue to position our portfolio defensively and to initiate into a series of potential opportunities should these arise.

With that, we'd like to wish you and your families a Happy New Year!

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

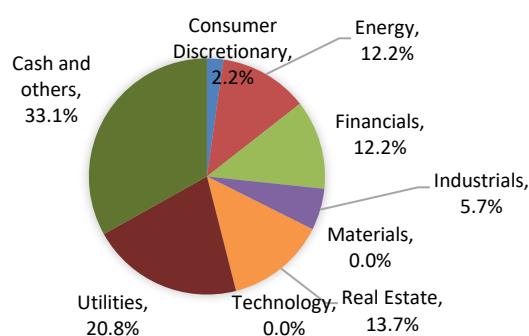
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-2.1%	0.1%	-5.2%	-4.2%	-6.6%	-2.7%	0.4%	2.4%	-6.6%	3.9%	0.1%	-1.2%	-20.1%
PSEi TR ¹	3.4%	-0.7%	-0.6%	-6.5%	1.0%	-9.1%	2.6%	4.5%	-12.7%	7.3%	10.4%	-1.6%	-4.4%

¹ Philippine Stock Exchange Index Total Return;

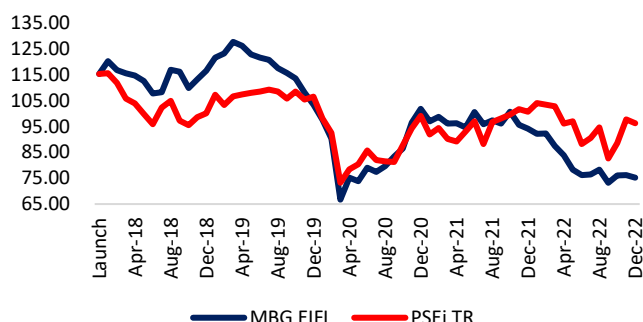
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.4%	+/- 3.8%
Correlation to PSEi	0.31	1.0
Beta	0.11	1.0
Stock holdings	66.9%	100.0%
Large cap (> \$3bln)	0.0%	94.5%
Mid cap (\$500mln to \$3bln)	78.3%	5.5%
Small cap (< \$500mln)	21.7%	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	-20.1%	-4.4%
3 months	2.8%	16.6%
6 months	-1.2%	9.2%
1 year	-20.1%	-4.4%
Launch (cumulative)	-34.8%	-16.6%
Launch (annualized)	-8.2%	-3.6%
Months with gains	41.7%	53.3%
Volatility of returns p.a.	12.5%	19.6%
1-yr Sharpe ratio (RFR 6%)	-1.94	-0.343

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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 115 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