

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of April, shares gained 7.3% to 85.11, outperforming the PSEi TR which gained 2.3%. Since the Fund's inception, shares have lost 26.3%, underperforming PSEi TR which lost 16.0% for the same period.

The month of April was marked by a global market rally amid a deceleration of global inflation, which gave a boost to investor sentiment. In the Philippines, the stock market surged 1.9% MoM to 6,625.08, led by strong Q1 corporate earnings results of banking giants BPI and BDO. The combined foreign inflows of P3.3B for the month added strength to the market rally.

The Philippine Statistics Authority reported headline inflation of 7.6% in March, down from 8.6% in Feb. The lower-than-expected figure indicates that inflation continues to be on its deceleration path from its January high, raising hopes that the BSP will end its rate hikes soon. This should benefit consumer and property names as well as conglomerates with exposure to these sectors. Meanwhile, bank lending eased for the third month in a row, with credit growth sustaining its downtrend for the third straight month in Feb. Although the pandemic has created challenges in the banking industry, we believe that prices have reached a level where most of the downside risks are already priced in. Non-performing loans (NPLs) showed improvement over time, with average NPLs decreasing from 4.29% in 2021 to 3.7% in 2022 and further to 3.3% in 2023. We recently added a banking position to our portfolio, which is trading at 0.25x price-to-book (P/B) and reported strong earnings of P4.6B for 2022. With a market cap of P17B and a P/E ratio of 3.6, it presents an attractive opportunity. In Q1, the bank's earnings reached P1.6B, three times higher than the previous year, primarily due to significant trading gains compared to the losses experienced last year. Net interest income also increased by 17%, showing a clear sign of recovery underway.

Over the past month, there has been speculation about M&A activity involving some of the companies in our portfolio, driving their stock prices higher and resulting in substantial year-to-date returns, bringing the fund up +13.1% YTD vs the PSEi +2.2% (as of end-April). Our construction company announced the entrance of a new shareholder group, acquiring a 20% stake at a 15% discount to book value. This follows the recent privatization of our cement company only late last year. Privatization has been happening quite frequently as we observe several public companies being delisted or announcing their intention to go private, such as 2GO and MPI. As we have previously highlighted in our newsletters, these occurrences hold the potential to unlock significant value. Acquirers of substantial portions of a company tend to offer prices that align more closely with its intrinsic value compared to daily market trading. Even without these stock price increases, we are pleased with the overall results delivered by our portfolio companies, as earnings have bounced back for all of them.

Looking ahead, we continue to maintain a positive outlook for the future despite the challenges posed by a post-Covid world. Recent trends in our markets, both in terms of the economy and business, have been promising, indicating a potential shift towards a more favorable investment climate. We anticipate an optimistic outlook for 2023, thanks to the resilience and adaptability of our businesses across various sectors. As always, we will closely monitor market developments and seize investment opportunities as they arise.

With that we'd like to thank you for your continued trust and support.

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

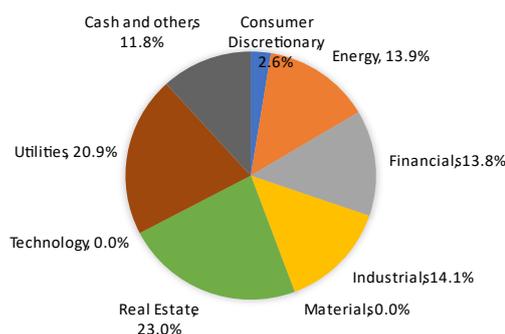
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%									13.1%
PSEi TR ¹	3.5%	-3.4%	-0.02%	2.3%									2.2%

¹ Philippine Stock Exchange Index Total Return;

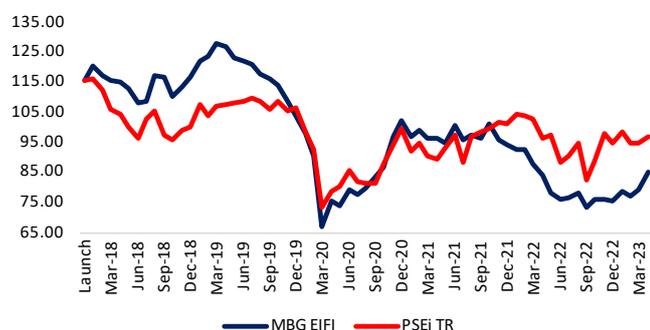
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.1%	+/- 3.5%
Correlation to PSEi	0.50	1.0
Beta	0.30	1.0
Stock holdings	88.2%	100.0%
Large cap (> \$3bln)	18.1%	96.1%
Mid cap (\$500mln to \$3bln)	68.8%	3.9%
Small cap (< \$500mln)	13.1%	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	13.1%	2.2%
3 months	8.0%	-1.2%
6 months	11.8%	9.3%
1 year	1.5%	0.8%
Launch (cumulative)	-26.3%	-16.0%
Launch (annualized)	-5.6%	-3.2%
Months with gains	43.8%	54.7%
Volatility of returns p.a.	13.4%	19.1%
1-yr Sharpe ratio (RFR 6%)	n.a.	n.a.

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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 127.7 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