

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of August, shares remained relatively flat to 84.87 (+0.05%), outperforming the PSEi TR which lost 1.6%. Since the Fund's inception, shares have lost 26.5%, underperforming PSEi TR which lost 17.4% for the same period.

The last month saw the local bourse's steepest monthly decline in nearly a year, falling by 6.3% to 6,175.25. This decline was influenced by a confluence of global factors, including the unexpected credit rating downgrade of US banks, China's slower-than-anticipated economic growth, and the Federal Reserve's hawkish stance. Consequently, we witnessed increased outflows, with foreign investors transitioning to net sellers. Average daily trading volume (ADTV) remained modest at USD 97 million as foreign participation dwindled to 44%, reflecting challenging market liquidity conditions.

Additionally, the disappointing 4.3% GDP growth in the second quarter of 2023 (compared to 6.4% in the first quarter), the lowest since June 2021 compounded concerns. While the results may be discouraging, it can be attributed to the normalization of the economy, as the low base year and pent-up consumer demand have subsided. Though inflation has trended down to 4.7% in July from its peak of 8.7% in January early this year, it inched up to 5.3% in August. There were concerns about rising prices of rice, which account for 9% of the CPI basket, and as much as 18% for the basket for low-income households. Government has controlled it for now by using short-term fixes like slashing import tariffs from the current 35%, but have yet to address this over the long-term. Encouragingly, both consumer and business confidence have been improving steadily.

Looking at the global picture, there have been increasing concerns about the health of US long term interest rates. The US 10-year rates stand at 4.3%, lower when compared to the short-term rates of between 5.3% to 5.4%. Inverted yield curves are rare, and often signal an impending recession. Bill Ackman, the CEO of prominent hedge fund Pershing Square, said in his most recent letter, that investors are accustomed to low long-term rates for a long time, and that the appropriate long-term rates could reach or exceed 5.5%. In the Philippines, we started with an inverted yield curve for our Peso securities at the start of the year, and have currently transitioned to a normal yield curve where long term rates are above short-term rates. However, our USD based government bonds still follow our US benchmarks. Ultimately, this could potentially impact our companies which borrow in USD terms. We remain cognizant of this potential risk.

On a positive note, our bank, with its exceptional performance this year, will do its first fundraising with its new CEO, optimizing its balance sheet to unlock value. They will take on a 30bn bond issuance over the next 5 years, and is significantly bigger than their market value in August 2023, which was at 16.6bn.

In the real estate office sector, Metro Manila vacancy rates fell 1% to 17%. In 2Q23. Multiple online gambling firms took up space in the Manila Bay area, signaling what could be a positive sign for our company that has a big part of its office space in Manila Bay. Previously, vacancy rates along that area were over 40%. Even though prevailing office rates are 20-50% below 2019 levels, we remain optimistic that recovery is underway.

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

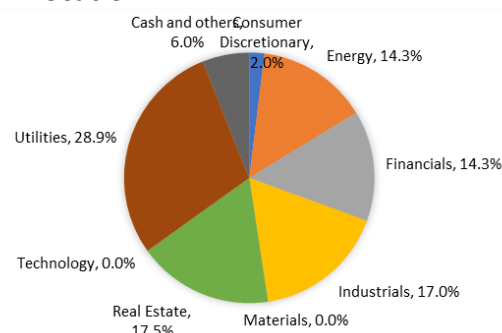
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%	1.7%	-2.2%	0.2%	0.05%					12.8%
PSEi TR <sup>1</sup>	3.5%	-3.4%	-0.02%	2.3%	-1.9%	-0.1%	1.9%	-1.6%					0.5%

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

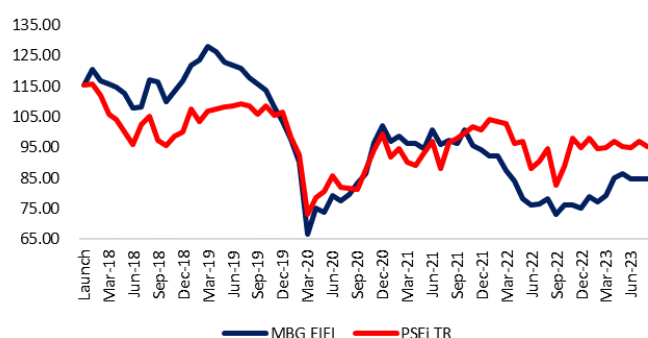
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.1%	+/- 3.1%
Correlation to PSEi	0.32	1.0
Beta	0.21	1.0
Stock holdings	94.0%	100.0%
Large cap (> \$3bln)	12.6%	97.0%
Mid cap (\$500mln to \$3bln)	75.6%	3.2%
Small cap (< \$500mln)	11.7%	0.0%
Philippines allocation	100.0%	100.0%

### 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	12.8%	0.5%
3 months	-2.0%	0.2%
6 months	10.1%	0.6%
1 year	8.3%	0.7%
Launch (cumulative)	-26.5%	-17.4%
Launch (annualized)	-5.3%	-3.3%
Months with gains	45.6%	52.9%
Volatility of returns p.a.	13.0%	16.4%
1-yr Sharpe ratio (RFR 6%)	0.33	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 127.3 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