

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of February, shares lost 2.2% to 77.11, outperforming the PSEi TR which lost 3.4%. Since the Fund's inception, shares have lost 33.2%, underperforming the PSEi TR which lost 17.9% for the same period.

The local stock market declined in February due to risk-off sentiment, as inflation and rate concerns weighed on the market. The benchmark index fell to 6,556.20 (-3.4% MoM) and decreased by -0.08% since the beginning of the new year. Investors adjusted their portfolios in line with MSCI's rebalancing, resulting in an estimated net outflow of -US\$93m.

Inflation accelerated to 8.7% in January 2023, exceeding consensus forecasts and the central bank's target for the month. As a result, the BSP increased the key rate by 50 bps to 6%, the highest in 16 years, bringing the total increase to 400 bps since last May. Inflation is expected to remain elevated for an extended period, with the forecast for February estimated to surpass the 9% level, marking the 11th consecutive month of inflation exceeding BSP targets. Consequently, the BSP raised its estimated 2023 average inflation forecast to 6.1% from 4.5%, fueling concerns that the central bank will continue to increase rates in the coming months until inflation peaks. Despite the potential for a prolonged period of high interest rates, the GDP is projected to grow by 6% this year. This growth is fueled by pent-up demand, easing supply pressures, and the anticipated decrease in inflation in the latter part of the year. Ongoing efforts to enhance infrastructure and attract foreign investment provide further growth opportunities. The Department of Trade and Industry recently announced P293 bln worth of investments in the implementation phase, with another P1.5 tln in the planning stages. The acceleration of public infrastructure spending, continuing employment recovery, remittances, and a recovery in tourism should bolster the domestic outlook for the year ahead.

The global financial markets have recently experienced a series of events that have impacted the banking sector. The initial collapse of Silvergate Bank had a ripple effect on the crypto world, followed by the impact of Silicon Valley Bank and Signature Bank, culminating in the acquisition of Credit Suisse by UBS. While Philippine banks were not directly impacted, the cost of debt for startups, venture capital funds, and tech companies have increased. The US Fed has responded with the Bank Term Funding Program (BTFP) to restore confidence in US banks, but this will come at the cost of increasing the Fed's balance sheet. The low interest rate environment of the past enabled businesses to operate with low margins, but those without market dominance or a moat may face difficulties. Surviving companies will expand their reach as competitors falter, increasing their value.

The rising cost of debt will increase the cost of equity, which will affect growth stocks more than value stocks. Looking into our portfolio, margin of safety will protect our companies from a potential market crash stemming from a contagion in risky assets selloff. Many of our portfolio's Philippine companies are already priced at extremely low levels, providing some resilience to potential bad news. We hope to see continued resilience in our companies in these tough times.

Moving forward, despite the headwinds, we remain optimistic about the Philippines and confident in the long-term prospects of the companies in which we invest. We continue to hold high quality names that are able to withstand uncertain environments. We'll keep you posted on the full year results of our companies with the upcoming earnings season ahead.

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

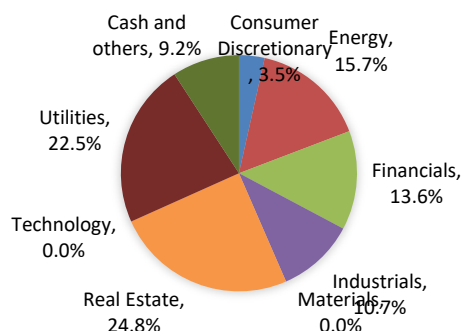
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%											2.4%
PSEi TR ¹	3.5%	-3.4%											-0.1%

¹ Philippine Stock Exchange Index Total Return;

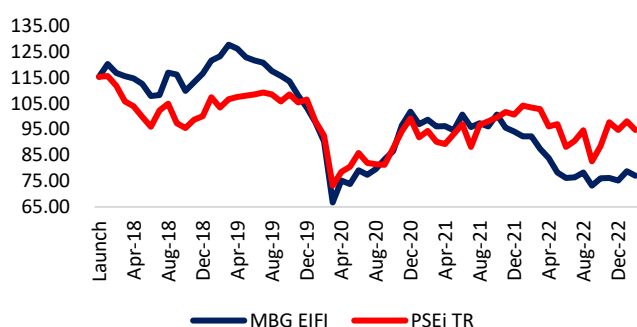
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.9%	+/- 3.8%
Correlation to PSEi	0.52	1.0
Beta	0.27	1.0
Stock holdings	90.8%	100.0%
Large cap (> \$3bln)	17.5%	96.6%
Mid cap (\$500mln to \$3bln)	72.5%	3.4%
Small cap (< \$500mln)	10.0%	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	2.4%	-0.1%
3 months	1.2%	-3.1%
6 months	-1.6%	0.1%
1 year	-16.5%	-8.4%
Launch (cumulative)	-33.2%	-17.9%
Launch (annualized)	-7.5%	-3.8%
Months with gains	41.9%	53.2%
Volatility of returns p.a.	12.5%	20.7%
1-yr Sharpe ratio (RFR 6%)	-1.64	-0.60

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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 117 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