

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of July, shares gained 0.2% to 84.83, underperforming the PSEi TR which gained 1.9%. Since the Fund's inception, shares have lost 26.5%, underperforming PSEi TR which lost 16.1% for the same period.

Recent data released by the BSP show promising economic metrics. In May, OFW remittances surged to 2.8bn USD, marking a 2.9% YoY increase. During the same period, bank loan growth stood strong at 9.4% YoY. The tourism sector is progressively regaining its footing, evidenced by the 22.2mln travelers recorded at NAIA during the first half of 1H23, showing a 78% YoY increase. This number is steadily approaching the pre-pandemic level of 24.1mln travelers in 2019.

The manufacturing sector also demonstrated a positive trend, with the PMI surging to 51.9 in July, with firms anticipating growth from increased production in the coming months. Recent legislative directives, such as the signing into law of the Maharlika Investment Fund (MIF) by President Marcos, are set to enhance the investment outlook for the country. The MIF, starting with a seed capital of 125bn sourced from government financial institutions, is designed to stimulate economic progress and strengthen infrastructure investments. Furthermore, NEDA's approval of 3 infrastructure projects underscores the nation's commitment to PPP. Such efforts are integral to enticing new investments and reinforcing the confidence of international investors.

Looking into our portfolio, our banking company, which we view as among the cheapest banks with a PB ratio of 0.25x and a PE ratio of 2.8x, has reported 117% higher 1H profits to 3.3bn, driven by sustained growth in its lending portfolio. Return on equity was at 10.6%, its highest level since 4Q21. Its ROE averaged 6.3% during this in-between period where auto loan NPL were shooting up and many were defaulting due to the pandemic and the work from home era.

In the realm of energy, our power company has reported attributable recurring net income of 167m USD, up 30% YOY. Good things are still to happen as profits will continue to grow with the eventual turnover of the 165MW hydro plant they won in a bid, and the start of the construction of a 100MW pump storage expansion.

Our oil refiner reported 6.1bn in net income before preferred share payments. We estimate net income to common shareholders at 4.2bn. At current rates, they are on track to achieve 8bn net income for the year, which translates to 4x PE. Despite the challenging environment brought about by the pandemic and the global issues, our company was able to deliver a profitable year.

With our economy rebounding and getting back to its feet across multiple sectors alongside our corporates showing good numbers, we are optimistic about the prospects for the remainder of the year.

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

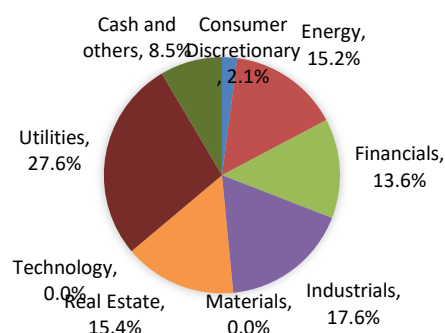
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%	1.7%	-2.2%	0.2%						12.8%
PSEi TR ¹	3.5%	-3.4%	-0.02%	2.3%	-1.9%	-0.1%	1.9%						2.2%

¹ Philippine Stock Exchange Index Total Return;

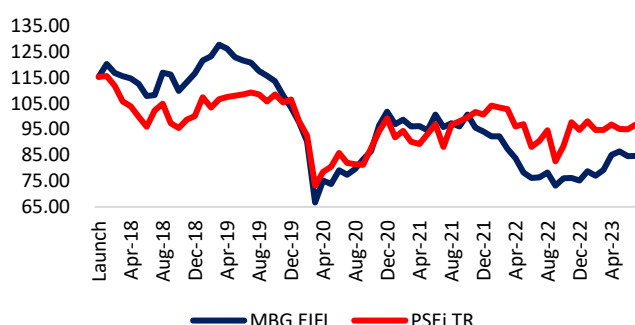
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.1%	+/- 3.2%
Correlation to PSEi	0.35	1.0
Beta	0.23	1.0
Stock holdings	91.5%	100.0%
Large cap (> \$3bln)	13.4%	96.8%
Mid cap (\$500mln to \$3bln)	74.3%	3.2%
Small cap (< \$500mln)	12.4%	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	12.7%	2.2%
3 months	-0.3%	-0.1%
6 months	7.6%	-1.3%
1 year	10.9%	7.0%
Launch (cumulative)	-26.5%	-16.1%
Launch (annualized)	-5.4%	-3.1%
Months with gains	44.8%	53.7%
Volatility of returns p.a.	13.0%	17.2%
1-yr Sharpe ratio (RFR 6%)	0.53	0.17

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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. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 956 7254 Fax: +63 2 956 7065