

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of June, shares lost 2.2% to 84.68, underperforming the PSEi TR which lost 0.1%. Since the Fund's inception, shares have lost 26.7%, underperforming PSEi TR which lost 17.7% for the same period.

Despite the absence of significant catalysts and a subdued trading atmosphere, the PSEi remained largely unchanged, declining 0.1% MoM. The average daily turnover lingered at 4.8bn PHP, while foreigners emerged as net buyers with a total of 5.2bn PHP this month. Notably, Eli Remolana has been appointed as new BSP governor. His extensive and formidable track record in global financial institutions are expected to bring in stability and a pro-growth agenda.

In June, inflation continued its downward trend for the fifth consecutive month to 5.4%, propelled by falling prices in key food and transport sectors. The sustained decrease in inflation is expected to keep the Bangko Sentral ng Pilipinas' benchmark rates at 6.25%. The market does not foresee any rate cuts unless there is compelling evidence that inflation can settle within BSP's target bandwidth of 2-4%. Meanwhile, the latest BSP Business Expectations Survey shows an increase to 17.9% for 3Q23 from 13.4% in 1Q23, indicating a promising employment outlook and an increase in firms with expansion plans.

Our oil refiner successfully raised 14 billion PHP through a preferred share offering, which represents approximately 40% of their current market capitalization. This signals the confidence of fixed-income investors in the refiner's outlook and capacity. With auto sales up 40% YoY in May, banks' renewed appetite for auto loans, favorable oil prices, and booming tourism with busy airports, there is clear evidence of the recovery of oil consumption. We believe our refiner is well-positioned to benefit from these positive developments. Moreover, our holding company conducted a buyback in June, repurchasing 1% of its outstanding shares, which serves as a vote of confidence in the company itself. Since the inception of their buyback program in 2012, they have successfully bought back 23% of the company at significant discounts to book value. We are pleased that they continue to buy more shares at these discounted prices and take advantage of the market conditions.

Although our real estate company faced challenges with vacancies and was among the worst-performing listed real estate firms, it is now witnessing a recovery in its leasing business. The company has secured 12,400 potential new leases, accounting for approximately 1% of its total office space. Despite the lackluster occupancies resulting from changes in the office industry, the stock remains attractively valued, even with depressed valuations. The substantial margin of safety in the stock is derived from its extensive land bank, acquired at cost and recorded at cost in the books.

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

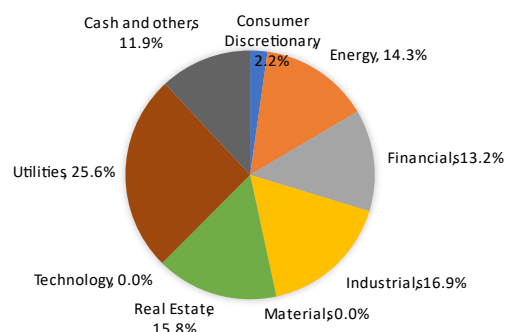
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%	1.7%	-2.2%							12.5%
PSEi TR ¹	3.5%	-3.4%	-0.02%	2.3%	-1.9%	-0.1%							0.2%

¹ Philippine Stock Exchange Index Total Return;

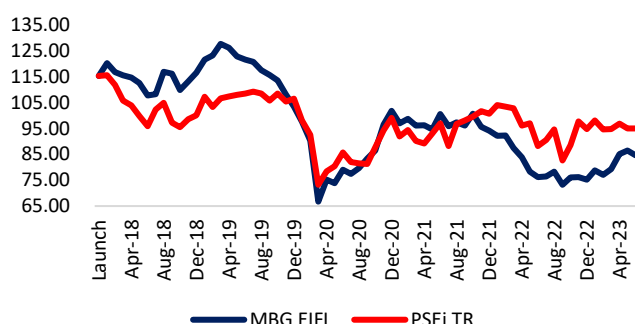
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.2%
Correlation to PSEi	0.39	1.0
Beta	0.24	1.0
Stock holdings	88.1%	100.0%
Large cap (> \$3bln)	13.7%	96.6%
Mid cap (\$500mln to \$3bln)	73.5%	3.4%
Small cap (< \$500mln)	12.8%	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	12.5%	0.2%
3 months	6.7%	0.3%
6 months	12.5%	0.2%
1 year	11.2%	7.7%
Launch (cumulative)	-26.7%	-17.7%
Launch (annualized)	-5.5%	-3.5%
Months with gains	43.9%	53.0%
Volatility of returns p.a.	13.2%	17.6%
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 127.1 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