

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of March, shares gained 2.9% to 79.34, outperforming the PSEi TR which lost 0.02%. Since the Fund's inception, shares have lost 31.3%, underperforming PSEi TR which lost 17.9% for the same period.

The Philippine market ended the month relatively flat in March to 6,499.68 following a volatile month as banking stress in the US and Europe weighed on the market. The US Federal Reserve raised the policy rate by 25 bps at their March 22nd meeting, with the possibility of keeping interests steady for the time being. This change in stance should help boost global market sentiment. Meanwhile, the Bangko Sentral ng Pilipinas (BSP) raised the policy rate by 25 bps to 6.25%, as February inflation remained elevated at 8.6%, though slightly lower than the 8.7% print in Feb. The gap between US and PH policy rates has remained at 1-1.25%. With food and petrol prices normalizing, inflation is expected to trend lower barring any significant supply shocks. The BSP reduced its inflation forecast to 6% and 2.9% in 2023 and 2024.

The global macro landscape remains challenging as high interest rates have left a lot of companies in trouble, particularly those in the property sector. Mortgage rates in the US have doubled in less than a year and presumably in many other countries as well. The rising costs of debt and building materials cost combined with the shift towards remote work, have forced property developers to fold. The effects we are seeing today are the results of the accumulated impact of the pandemic. However, we remain optimistic as building costs are stabilizing and interest rates now may have peaked.

Earnings have come out for most of our companies, with many on track for recovery to pre-pandemic levels, and some even reporting record earnings. Our oil company reported robust FY22 sales growth of 96% and net income increased 9.8% YoY, on the back of higher demand for fuel. Despite the volatility in the market, pricing challenges, and heavy competition, profits have been above pre-pandemic levels over the last 2 years. They were able to maintain steady sales volume from both local (+43.1% YoY) and international (+37.2%) operations.

We were not spared as our most challenged sector is the property office sector. Our company has been experiencing high vacancy rates from the effects of work from home, and a shift to more upscale offices offered at discount leases. However, we believe these are temporary challenges that will not persist in the long term. Historically, supply and demand have corrected themselves and we believe this trend will continue. Moreover, the Philippines remains a good hub for offices as we have an abundance of cheap and fluent English-speaking labor force.

Overall, we are pleased with the 2022 results, and we expect 2023 to be a better year for most. Despite the challenging environment, our companies have remained adaptable and flexible to changing times.

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

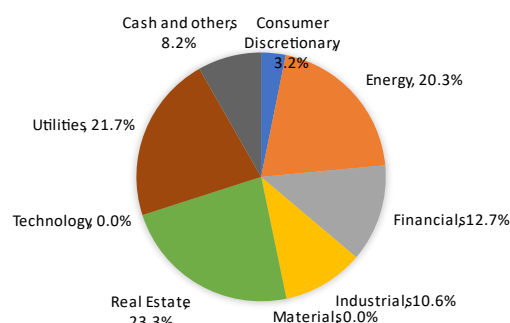
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%										5.4%
PSEi TR ¹	3.5%	-3.4%	-0.02%										-0.1%

¹ Philippine Stock Exchange Index Total Return;

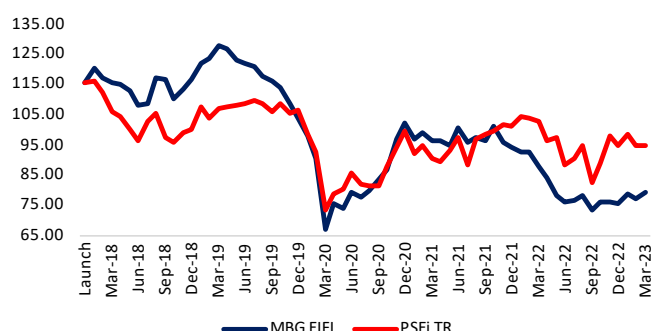
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.2%	+/- 3.6%
Correlation to PSEi	0.47	1.0
Beta	0.29	1.0
Stock holdings	91.8%	100.0%
Large cap (> \$3bln)	17.0%	96.6%
Mid cap (\$500mln to \$3bln)	73.8%	4.0%
Small cap (< \$500mln)	9.2%	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	5.4%	-0.1%
3 months	5.4%	-0.1%
6 months	8.3%	14.7%
1 year	-9.4%	-7.8%
Launch (cumulative)	-31.3%	-17.9%
Launch (annualized)	-6.9%	-3.7%
Months with gains	42.9%	54.0%
Volatility of returns p.a.	13.3%	19.6%
1-yr Sharpe ratio (RFR 6%)	-1.00	-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 120.6 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