

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of May, shares gained 1.7% to 86.56, outperforming the PSEi TR which lost 1.9%. Since the Fund's inception, shares have lost 25.0%, underperforming PSEi TR which lost 17.6% for the same period.

Following a 1.9% increase in April, the local stock market faced headwinds as the PSEi experienced a 2.2% decline, attributed to a lack of domestic catalysts and concerns surrounding the US debt ceiling. Foreign investors reverted to being net sellers, with a total outflow of USD 81 mln, exacerbated by the MSCI rebalancing. As a result, the cumulative net outflows YTD reached USD 564 mln. On a positive note, the SEC has recently granted approval for short selling in the domestic market as early as this year once the necessary rules have been finalized. This move is expected to enhance market liquidity by attracting big funds to enter the market.

The Philippines' Q1 GDP grew 6.4% YoY, the slowest in two years as elevated inflation and rising interest rates dampened consumer spending. Nevertheless, the country recorded one of the highest growths among regional peers over the same period. Inflation moderated for the fourth straight month to 6.1% (vs 6.6% in Apr) as prices of food and energy-related goods continue to decline. The BSP kept its policy rate unchanged at 6.25% in its May meeting, a shift from its previous stance of aggressive rate hikes, even in the wake of the Fed's hike earlier in the month. The BSP cut banks' regulatory reserve requirements by 200 bps to increase liquidity, expressing confidence in sustaining the lower inflation trend, aiming to bring it back to within the target range of 2-4% around Oct. Finally, the proposed bill for Maharlika Investment Fund (MIF) should be passed soon, which is designed to be a major funding source for strategic and lucrative investments in key sectors, including government's massive infrastructure programs after it contracted 1% YoY in 1Q23, missing the government's 6% target.

Looking into our portfolio, the controlling shareholders of our construction company sold another 14.35% stake at book value to a new investor, following the 20% stake sale last month. It marks the end of an era where the previous controlling shareholder started the company back in 1931, and the start of a new beginning. With our government focusing heavily on much needed infrastructure, we expect our construction company to reap the benefits.

Our energy-related holding company did very well with Q1 net profit reflecting 31% growth as a result of a 42% improvement in its energy subsidiary. Their re-gas facility is also slated to run by Q2 to Q3 this year. The project is expected to play a critical role in opening up LNG imports to the Philippines. This would allow potential expansion as the capacity growth in the last decade was capped by fuel supply from Malampaya.

We recently added a container company which we believe were trading at very attractive valuations, with exceptional ROEs at a fair price of just 13x PER. Though they reported Q1 earnings growth of only 8%, this is expected as it reflects global challenges which we believe are temporary. As Buffet would say, "The best thing that happens to us is when a great company gets into temporary trouble... We want to buy them when they're on the operating table."

With that we'd like to thank you for your continued trust and support.

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

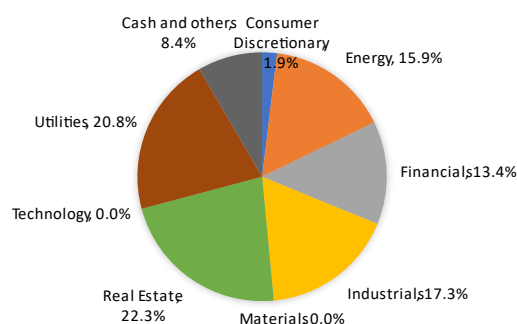
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%	1.7%								15.0%
PSEi TR ¹	3.5%	-3.4%	-0.02%	2.3%	-1.9%								0.3%

¹ Philippine Stock Exchange Index Total Return;

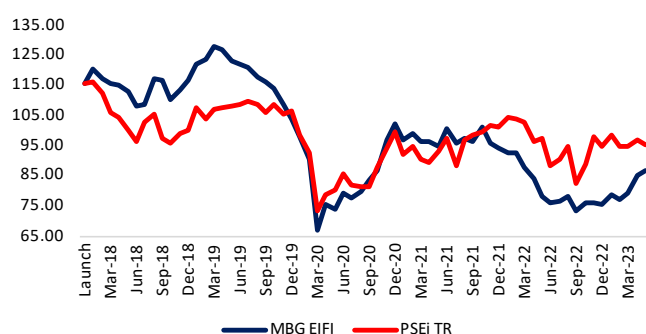
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.2%	+/- 3.4%
Correlation to PSEi	0.44	1.0
Beta	0.29	1.0
Stock holdings	91.6%	100.0%
Large cap (> \$3bln)	19.2%	96.2%
Mid cap (\$500mln to \$3bln)	67.8%	3.8%
Small cap (< \$500mln)	13.0%	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	15.0%	0.3%
3 months	12.3%	0.4%
6 months	13.6%	-2.8%
1 year	10.5%	-2.0%
Launch (cumulative)	-25.0%	-17.6%
Launch (annualized)	-5.2%	-3.5%
Months with gains	44.6%	53.8%
Volatility of returns p.a.	13.2%	18.5%
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 129.8 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