

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of October, shares declined to 85.08 (-2.4%), outperforming the PSEi TR which lost 5.3%. Since the Fund's inception, shares have lost 26.3%, underperforming PSEi TR which lost 23.7% for the same period.

The Philippine market faced a challenging month, with the PSEi dropping below the 6,000 level (-5.5%), exacerbated by a disappointing uptick in its Sept inflation print and the BSP's announcement of an unexpected off-cycle policy rate hike. Adding to investor concerns is the intensifying conflict in the Middle East between Israel-Hamas. While Israel may not be a major oil producer, tensions in the region have the potential to drive oil prices higher. As a result, trading volumes remained subdued in Oct, with ADTV declining to USD 80mln vs USD130mln in Sep. Foreigners remained net sellers in the market, although at a reduced level of USD 171mln.

The BSP's decision to raise the policy rate by 25 bps following an off-cycle meeting on 27 Oct, brought the policy rate to 6.5% (+450 bps since May 2022). Inflation is expected to remain above the target range until July of 2024, before gradually moving back down within target later in the year. Given the prolonged period of higher than anticipated policy rates, there is potential for a dampening effect on the market, as elevated policy rates have begun to impact corporate earnings and weaken consumer spending.

The latest inflation data for Oct came in at 4.9% (vs 6.1% in Sept), which may prompt the BSP to consider a pause in its upcoming Nov meeting. On a more positive note, other macro indicators have been encouraging, with the balance of payments (BOP) deficit narrowing significantly to USD 414 million in Sept. The recent rate hike by the BSP is expected to help stabilize exchange rate volatility, which should reduce pressure on overall inflation by lowering import costs. We expect the deficit to decline even further into the year supported by the strong OFW remittances (+2.7% YoY in Aug) especially going into the holiday season.

Earnings were out already for some of our companies. Our bank reported earnings at 4.8bln this year, already surpassing 4.6bln for full year 2022. Our holding companies did well, with one reporting a net income growth of 35% for the 9-month period, and another reporting 57% growth. Our mining company on the other hand did 3.6bln, down 47% YoY, (down 32% excluding non-operating income) as prices of nickel and cobalt have corrected significantly from last year. Gross income from its power business however, has grown 18% to 271m, on 200MW capacity. This is slated to grow to 1000 MW capacity by 2028.

Despite the headwinds, we remain upbeat given the positive results our companies are showing and their ability to maneuver through this challenging environment. As Buffet would say, "Be fearful when others are greedy and greedy only when others are fearful". Fear is very evident in the market today as rising interest rates have pushed managers away from the Philippines and out of emerging markets. Though liquidity has dried up and stocks have reverted back to prices from a decade ago, we see it as an opportune time to be greedy.

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

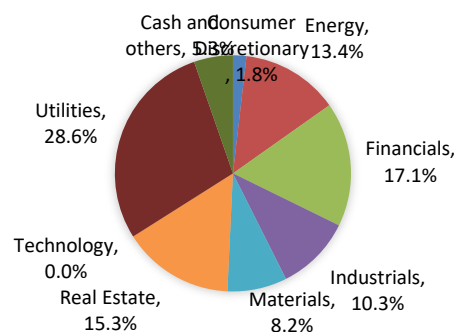
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%	1.7%	-2.2%	0.2%	0.05%	2.7%	-2.4%			13.0%
PSEi TR <sup>1</sup>	3.5%	-3.4%	-0.02%	2.3%	-1.9%	-0.1%	1.9%	-6.0%	2.5%	-5.3%			-6.9%

<sup>1</sup> Philippine Stock Exchange Index Total Return;

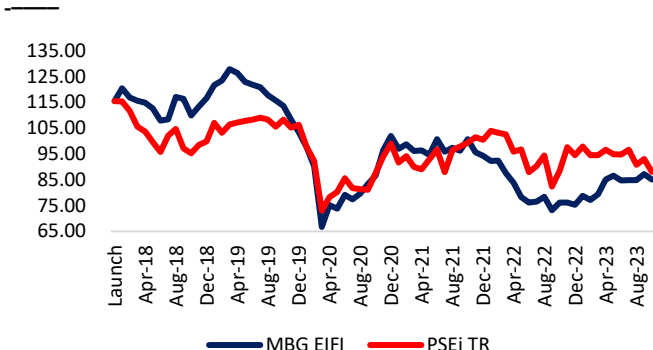
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.2%	+/- 2.8%
Correlation to PSEi	0.19	1.0
Beta	0.15	1.0
Stock holdings	94.7%	100.0%
Large cap (> \$3bln)	0.2%	94.5%
Mid cap (\$500mln to \$3bln)	87.1%	5.5%
Small cap (< \$500mln)	12.7%	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	13.0%	-6.9%
3 months	0.3%	-8.8%
6 months	0.0%	-8.9%
1 year	11.8%	-0.4%
Launch (cumulative)	-26.3%	-23.7%
Launch (annualized)	-5.1%	-4.5%
Months with gains	45.7%	51.4%
Volatility of returns p.a.	12.5%	15.3%
1-yr Sharpe ratio (RFR 6%)	0.62	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 127.68 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	MBG Investment Management, Inc.
Fund Manager	Joseph Alvin C. Tan MBG Equity Investment Fund, Inc. <a href="mailto:info@mbgfunds.com">info@mbgfunds.com</a> <a href="http://www.mbgfunds.com">www.mbgfunds.com</a> Tel: +63 2 8838 7822 Fax: +63 2 7956 7065