

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of September, shares rose to 87.15 (+2.7%), outperforming the PSEi TR which gained 2.5%. Since the Fund's inception, shares have lost 24.5%, underperforming the PSEi TR which lost 19.2% for the same period.

Philippine inflation continued its upward trend to 6.1% in September, up from 5.3% in August. This escalation can be attributed to elevated oil prices as a consequence from the ongoing Ukraine-Russia conflict. Oil prices surged from \$81 to \$95 by the end of September, but subsequently retreated to \$82 as of October 6. Notably, the recent Israel – Hamas conflict triggered another spike, pushing oil prices to \$87 within a single day. Inflation is expected to remain highly volatile in the coming months, contingent on the geopolitical developments. Meanwhile, US interest rates have climbed, with the 10-year rate breaching 4.8%, marking its highest level since 2007. This pushed Philippine dollar bond rates to 5.6%, from 4.9% at the beginning of September.

A significant development in the Philippine market is the long-awaited approval of short selling, with a target launch date of October 23, 2023. This has been years in the making and has the potential to introduce new investment opportunities that require short selling strategies. Simultaneously, there is a concurrent reduction in the sales tax rate to 0.1% from 0.6%, aimed at supporting our local stock market. Our hope is that the implementation of these new measures will boost demand for Philippine stocks. We are actively considering including this new feature into our investment mandate to maintain strategic flexibility in our strategy so that we may evolve with any new regulations and enhance the value we provide to our clients.

Reviewing our portfolio, our bank emerged as the top performer for the month, gaining 27% in September. This surge can be attributed to a resurgence in its loan book (+22% YoY), surpassing pre-pandemic levels. The rebound was driven by its consumer loan portfolio, accounting for 77% of the total loan book, that grew at an impressive 29.7% YoY. Despite the run up in its stock price, the bank's shares remain very cheap, trading at just 0.32x price to book. Additionally, with a healthy ROE of 10.46% and an above average return on assets of 1.51%. It stands out as the most efficient bank with an efficiency ratio of 43% vis a vis the industry average of 56%.

We recently added to our portfolio, the largest nickel mining company in the Philippines. We believe its position as the lowest-cost producer in the country, coupled with its competitive edge regionally, give it unparalleled advantages that cannot be easily replicated. With a healthy net cash position, dominant market share, low P/E ratio of just 10x and impressive net margins of 27%, we believe its mining business is unmatched. In addition to its mining endeavors, the company has recently ventured into renewable energy, leveraging its mining expertise to extract geothermal power from "steam" and establish geothermal power plants. The company is also embarking on a 5-year journey, to make a 1000 MW solar farm utilizing its extensive land assets, with a projected capacity of 200MW for this year. Needless to say, we hold an optimistic view of their future prospects. We'll keep you informed of any new developments.

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

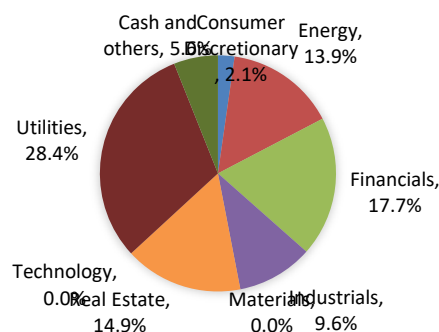
2023	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	4.7%	-2.2%	2.9%	7.3%	1.7%	-2.2%	0.2%	0.05%	2.7%				15.8%
PSEi TR <sup>1</sup>	3.5%	-3.4%	-0.02%	2.3%	-1.9%	-0.1%	1.9%	-6.0%	2.5%				-1.6%

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

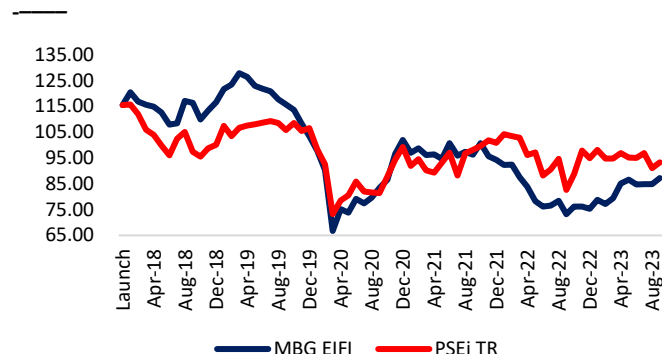
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.0%
Correlation to PSEi	0.18	1.0
Beta	0.12	1.0
Stock holdings	94.4%	100.0%
Large cap (> \$3bln)	3.7%	96.0%
Mid cap (\$500mln to \$3bln)	76.8%	4.0%
Small cap (< \$500mln)	11.1%	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	15.8%	-1.6%
3 months	2.9%	-1.8%
6 months	9.8%	-1.6%
1 year	19.0%	12.9%
Launch (cumulative)	-24.5%	-19.2%
Launch (annualized)	-4.8%	-3.7%
Months with gains	46.4%	53.6%
Volatility of returns p.a.	13.0%	16.0%
1-yr Sharpe ratio (RFR 6%)	1.15	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 130.8 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	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