

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of January, shares are down to 84.79 (-0.74% MoM), underperforming the PSEi TR which gained 3.04% MoM. Since the Fund's inception, shares have lost 26.5%, underperforming the PSEi TR which lost 14.5% for the same period. The US Fed decided to keep the policy rate steady for the fourth straight meeting, based on the strength of the labor market and CPI data that slightly exceeded expectations. Despite this, the market anticipates a potential 75 bps cut in the 2H24. In the Philippines, investors' interest has been rekindled, marked by an improvement in value turnover. Foreign investors have become net buyers, with net inflow approaching USD 100 mln YTD, reversing the trend of net outflows observed over the previous five years. Initiatives to boost market liquidity are underway, spearheaded by the stock exchange and regulatory bodies. These include reductions in commissions and taxes, the introduction of short-selling, and a promising lineup of IPOs planned for the upcoming year.

The Philippines recorded a robust GDP growth of 5.6% for FY2023. This upward trend is anticipated to continue into 2024, with the IMF revising its growth forecast upwards to 6%, buoyed by solid economic indicators. Factors such as slowing inflation (2.8% in Jan-24), a commitment to infrastructure investment (5-6% of GDP), and strong household spending growth (5.3% in 4Q23) are expected to support the domestic economy. Nonetheless, the policy rate has reached a 16-year peak of 6.5%, as the BSP vigorously aims to control inflation. There is speculation in the market about a potential easing of 100 basis points by the end of 2024. Additionally, the PMI fell to 50.9 in Jan (compared to 51.5 in Dec-23), ranking as the second highest among six ASEAN countries, just slightly below Indonesia's 52.9. Despite new orders and output growing at a reduced pace, the manufacturing sector is generally expanding, with expectations of stronger sales in the forthcoming months.

Looking into our companies, our mining company has seen a significant decline in its share price since we bought it last year. This can be attributed to negative sentiment fueled by softening prices, driven by concerns of oversupply, and weakened demand in the market. This decline in prices has resulted in the closure of several mining operations, unable to sustain profitability amid high operating costs and weak market conditions. However, despite the broader industry challenges, our company stands out as one of the most efficient miners given its position as one of the lowest cost producers, enjoying some of the highest gross margins among its competitors. Among a pool of 10 mining comparables, 20% are operating on razor thin margins and heavily leveraged, while another 20% have negative margins, signaling an impending need for supply reductions or shutdowns. In this landscape, our company stands to benefit significantly from potential mine closures, consolidating its position as a competitive player in the market. Mining has always been subject to volatility, where only price leaders endure and ultimately reap the rewards when market demand rebounds. While the current challenges may seem daunting, they also present opportunities for resilient players like ours to emerge stronger in the long term.

This year, money came back to our market, and expectedly it would flow to index names first. Our underperformance YTD is due to our overweight non-index names where we see a lot of gems. Given the continued improvement in sectors such as real estate and banking, we believe our gems would be appreciated much more when they report earnings and as funds rotate to laggards.

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

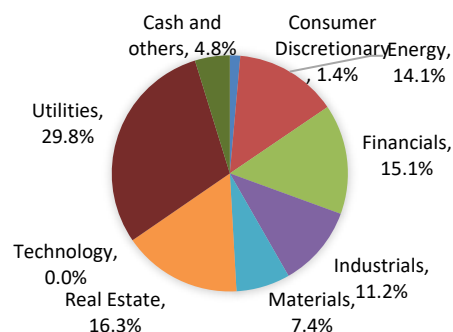
2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-0.7%												-0.7%
PSEi TR ¹	3.0%												3.0%

¹ Philippine Stock Exchange Index Total Return;

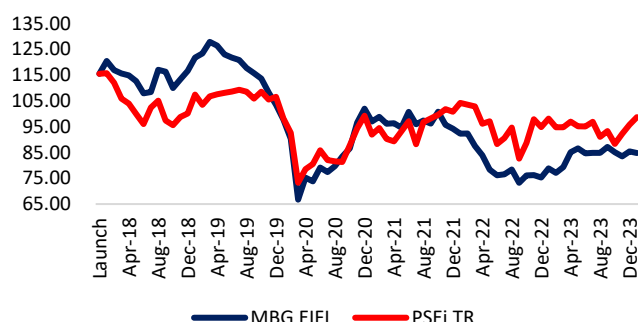
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.1%	+/- 2.5%
Correlation to PSEi	0.17	1.0
Beta	0.14	1.0
Stock holdings	95.2%	100.0%
Large cap (> \$3bln)	2.4%	97.4%
Mid cap (\$500mln to \$3bln)	84.4%	2.6%
Small cap (< \$500mln)	13.2%	0.0%
Philippines allocation	100.0%	100.0%
Vietnam allocation	Nil	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	-0.7%	3.0%
3 months	-0.3%	11.7%
6 months	0.0%	1.8%
1 year	7.6%	0.5%
Launch (cumulative)	-26.6%	-14.5%
Launch (annualized)	-5.0%	-2.6%
Months with gains	45.2%	54.8%
Volatility of returns p.a.	10.8%	13.4%
1-yr Sharpe ratio (RFR 6%)	0.33	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 125 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. info@mbgfunds.com www.mbgfunds.com Tel: +63 2 7956 7254 Fax: +63 2 7956 7065