

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of September, shares are up 1.6% to 75.72, with the PSEi TR up 5.6% MoM.

The Federal Reserve made its first interest rate cut in over 4 years, reducing rates by 50bps amid signs of moderating inflation and a weakening labor market, with expectations of two further rate cuts in 2024. In China, the government released a stimulus package aimed at revitalizing its economy, with a strong focus on its real estate sector. Key measures include rate cuts, a 50 bps reduction in mortgage rates for existing loans, a 15% reduction in down payments, and the injection of USD 114bn to support its economy. Last year, China's economy faced significant headwinds when major real estate developers defaulted, undermining market confidence, and causing property prices to plunge. This package is meant to restore confidence in their economy, and boost investor confidence globally.

On the local front, the PSEi closed the month on a strong note at 7,272 (+5.4% MoM), driven largely from foreign fund inflows as investors swiftly moved into riskier assets following the Fed's jumbo rate cut, and the BSP's decision to reduce the reserve requirement ratio by 250 bps to 7%, which is expected to release over P300bln of liquidity into the economy. Net foreign inflows reached USD346 mln in September, coupled with a rally in the PHP55.9:USD1, the strongest in almost 6 months, reflecting renewed investor confidence in the Philippines.

Inflation dropped to a four-year low at 1.9% in September, well below market expectations and the BSP's target band of 2-4%, setting the stage for further monetary easing. While economic indicators look healthy, unemployment is a key concern, hitting a one-year high of 4.7%. The BSP forecasts that the PH economy will achieve its 6%-7% growth target for 2024, driven by robust construction spending and government programs. Similarly, the World Bank projects growth of around 6% for 2024 and 2025, citing higher consumption growth fueled by real wage increases and overseas remittances, which should offset the negative effects of prior rate hikes. Government spending, another key driver of the economy, is expected to ramp up ahead of the 2025 midterm elections.

Moving on to our portfolio, our portfolio's underperformance relative to the index can largely be attributed to the concentration of our holdings in small to mid-cap companies. These segments often lag behind large-cap stocks during the initial stages of a macroeconomic driven rally, as index-weighted fund flows tend to initially favor larger, more liquid names. The PSEi, which had previously hit a low of 6,158 on June 21 in 2024, saw a rally +20% by Sept 30, triggered by interest rate cuts in the U.S., and from our BSP amid an improving macroeconomic situation.

Meanwhile, our holding company's subsidiary recently announced a voluntary tender offer to buy back up to 1.86B (~equivalent to about 7.69% of shares outstanding) of its shares from existing shareholders in exchange for shares of its listed REIT, unlocking value for its subsidiaries as the stock rallied 26% post announcement. The shares were valued at 1, and every share will receive 0.32 shares of its REIT vehicle, which is currently valued at 3.09 or 0.988 value in equivalent value. Post swap, the REIT's public float will increase to 46%.

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

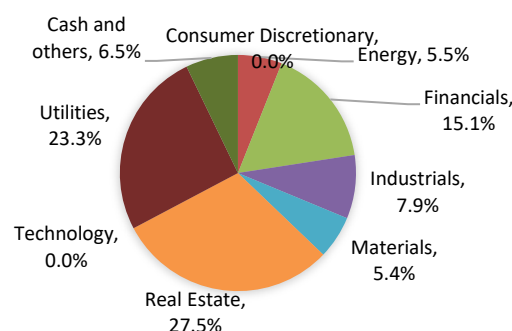
2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-0.7%	-2.0%	-1.5%	-2.2%	-1.5%	-2.2%	-2.2%	-0.6%	1.2%				-11.4%
PSEi TR ¹	3.0%	4.5%	0.3%	-2.7%	-3.6%	-0.1%	3.3%	4.5%	5.6%				15.4%

¹ Philippine Stock Exchange Index Total Return;

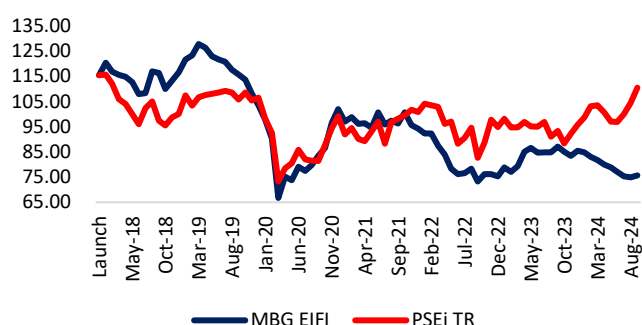
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.9%	+/- 2.6%
Correlation to PSEi	0.23	1.0
Beta	0.17	1.0
Stock holdings	93.5%	100.0%
Large cap (> \$3bln)	9.4%	97.0%
Mid cap (\$500mln to \$3bln)	72.0%	3.0%
Small cap (< \$500mln)	18.6%	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	-11.4%	15.4%
3 months	-1.7%	14.0%
6 months	-7.4%	6.8%
1 year	-13.1%	18.4%
Launch (cumulative)	-34.4%	-4.3%
Launch (annualized)	-6.1%	-0.7%
Months with gains	42.0%	55.6%
Volatility of returns p.a.	11.5%	13.9%
1-yr Sharpe ratio (RFR 6%)	n.a.	1.04

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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 128 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