

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of October, shares are down 1.7% to 75.72, with the PSEi TR down 1.7% MoM.

The long-anticipated U.S. elections have concluded, with Donald Trump securing a second term. His Agenda47 outlines 20 key promises with a few notable policies that have the potential to significantly impact the Philippines. First, a potential slowdown in remittances, as tighter immigration policies would affect many OFWs migrating to the United States. His pro-oil stance, favoring traditional energy over electric vehicles, could increase global oil supply, potentially lowering fuel prices—a benefit for the Philippines as a net importer. Trump's reduced military focus implies lower U.S. involvement in regional conflicts, which may lead to a more stable environment for businesses, which could encourage Filipinos and businesses to come back. Additionally, his commitment to revitalizing U.S. manufacturing could lead to more tariffs on goods from China, driving USD strength. Currencies have reacted in favor of a strong USD, with the PHP sharply depreciating 5.1% in 6 weeks.

On the local front, the PSEi experienced its first monthly decline in four months, closing at 7,142.96 (-1.78% MoM), as foreign flows slowed significantly to US\$21mn in Oct, down from a substantial US\$346mn in September. At its mid-October meeting, the Monetary Board eased the policy rate by 25bps to 6%, marking the second consecutive rate cut. October inflation rose to 2.3%, from 1.9% in September, well within the government's target band, though influenced by rising commodity prices, peso depreciation, and ongoing geopolitical tensions. Core inflation came out at 2.4% and should further support consumer spending in the coming months as inflation pressures ease. Given the improved inflation outlook for the year, another 25 bps rate cut is anticipated at the final policy meeting of the year in December.

The Philippines' 3Q24 GDP came in at 5.2%, below consensus estimates of 5.7% and below the government's full year target of 6-7%. Despite stronger consumption growth of 5.1% vs 4.7% in Q2, government consumption significantly decelerated to 5% vs 11.9%. Export growth also weakened, dropping to -1% from 4.2%, while imports rose to 6.4% vs 5.3%. Recent typhoons have impacted infrastructure spending, which should rebound during the dry season. Earnings season came in with our bank delivering strong numbers, with a 20% increase in net earnings for the 9-month period, delivering 49% growth in 3Q alone. Net interest income rose 23%, and non-interest income jumped 39%, primarily due to trading gains. ROE was 13.4% in the quarter, with CASA deposits growing 10%. Despite the growth, valuations remain attractive at 0.3x PBV and 2.2x 2024F PE.

We initiated a position in a pure-play data company with no legacy assets, well-positioned to compete with the two incumbent largest players. With a focus on home broadband and data centers, returns are high, and the demand for data is set to increase, especially as AI continues to grow.

Lastly, we have fully exited our position in an oil company, as we see that it has limited time to make returns on its massive refinery investments. The rapid expansion of the EV market is reshaping energy demand faster than expected. In China, new car sales as of August reached 53.8% electric vehicles. This shift toward electrification is expected to accelerate globally, reducing long-term demand for fossil fuels and impacting refinery profitability.

Newsletter

MBG Equity Investment Fund, Inc.

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

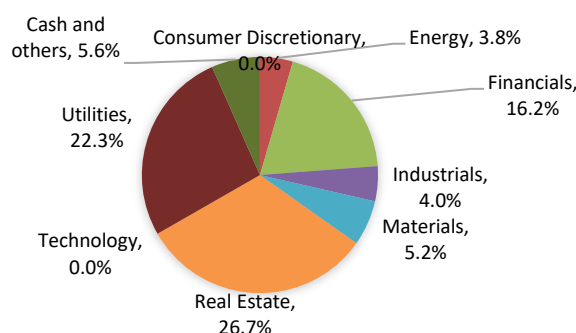
2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-0.7%	-2.0%	-1.5%	-2.2%	-1.5%	-2.2%	-2.2%	-0.6%	1.2%	-1.7%			-12.9%
PSEi TR ¹	3.0%	4.5%	0.3%	-2.7%	-3.6%	-0.1%	3.3%	4.5%	5.6%	-1.7%			13.4%

¹ Philippine Stock Exchange Index Total Return;

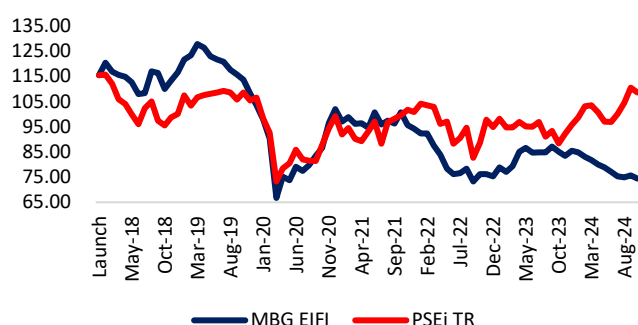
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.9%	+/- 2.6%
Correlation to PSEi	0.34	1.0
Beta	0.25	1.0
Stock holdings	94.4%	100.0%
Large cap (> \$3bln)	18.7%	96.7%
Mid cap (\$500mln to \$3bln)	68.4%	3.3%
Small cap (< \$500mln)	12.9%	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	-12.9%	13.4%
3 months	-1.2%	8.5%
6 months	-6.9%	7.9%
1 year	-12.5%	23.0%
Launch (cumulative)	-35.5%	-5.9%
Launch (annualized)	-6.2%	-0.9%
Months with gains	41.5%	54.9%
Volatility of returns p.a.	11.4%	14.1%
1-yr Sharpe ratio (RFR 6%)	n.a.	1.34

Newsletter

MBG Equity Investment Fund, Inc.

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 126 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