

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of December, shares are down 0.9% to 71.30, with the PSEi TR down 1.0% MoM.

The PSEi ended the year positive for the first time in 4 years, though markets experienced significant volatility as returns ranged from -4.5% to +17.8%, before settling at +1.21%. Sector performance was mixed, with services leading the way at +29.7% YoY, followed by financials at +24.1% YoY. On the downside, real estate and mining sectors posted losses, down 16.7% and 21.7% YoY, respectively. Conglomerates also faced challenges, ending the year down 7.6% YoY.

Corporate earnings for the Philippine Stock Index were up 12%, with ROE at 11.92%, the highest aggregate level since 2016. Despite this, foreign investors were net sellers for the seventh consecutive year in a row, with an outflow of USD 408m in 2024. The PH equities market has notably de-rated, with its PE ratio dropping from a range of 16-22 pre-pandemic (2012-2020) to 12 today, the lowest PE multiple since the pandemic.

On the global front, China's 10-year bond yields dropped by 40 basis points, from 2% to 1.6%, the lowest level since 2013, as inflation data showed a mere 0.2% increase. Facing the risk of a deflationary environment, China has introduced further stimulus measures, including the issuance of ultra-long treasury bonds and funding to support consumer subsidies and business equipment upgrades, in an effort to revitalize its economy. Meanwhile, in the US, 10-year bond yields increased by 100 basis points from September's low of 3.6%. The market is now pricing in only one rate cut for 2025, down from two expected cuts in December. This divergence between the two largest economies may complicate decision making for the BSP. With local core inflation rising to 2.8% in December from 2.5% in November, the BSP has ample room to cut rates if desired, though the Fed's reduced expectations for cuts may prompt the BSP to pause its own rate cuts.

Turning to our portfolio, our holding company with media exposure has seen a significant surge in stock price, following the filing of a bill in the House of Representatives for a franchise permit. This is a positive development, as the previous administration had rejected the renewal of its franchise years ago, and the current administration is expected to reverse this decision. This could prove timely with the upcoming mid-term elections in May 2025.

Another company in our portfolio stands to benefit from a potential revision of Indonesia's nickel export quotas. As the dominant player in the market, Indonesia is keen to revive nickel prices, which have slumped, causing substantial losses in government royalties. The company also announced the sale of its minority stake in a nickel refining unit, which should help stop income losses and unlock value in its profitable businesses.

As the new year begins, we are excited about potential catalysts that could unlock further value in our portfolio. We remain bullish on the outlook for Philippine businesses, which we believe will continue to thrive regardless of political developments, and valuations currently very attractive. As the saying goes, "Only two things are permanent in life, death and taxes," and even bearish markets don't last forever—they are bound to reverse. Wishing you a prosperous 2025!

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

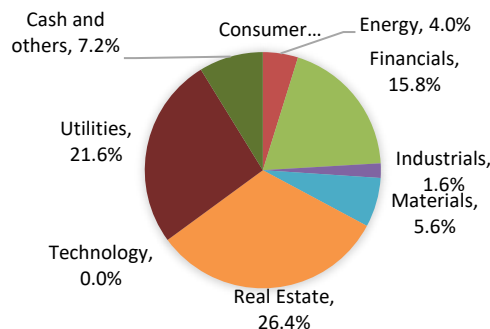
2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-0.7%	-2.0%	-1.5%	-2.2%	-1.5%	-2.2%	-2.2%	-0.6%	1.2%	-1.7%	-3.3%	-0.9%	-16.5%
PSEi TR <sup>1</sup>	3.0%	4.5%	0.3%	-2.7%	-3.6%	-0.1%	3.3%	4.5%	5.6%	-1.7%	-7.3%	-1.0%	4.1%

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

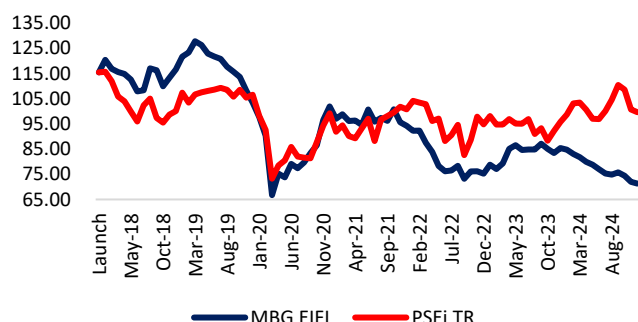
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 1.8%	+/- 2.8%
Correlation to PSEi	0.39	1.0
Beta	0.25	1.0
Stock holdings	92.8%	100.0%
Large cap (> \$3bln)	19.9%	96.9%
Mid cap (\$500mln to \$3bln)	70.5%	3.1%
Small cap (< \$500mln)	9.5%	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	-16.5%	4.1%
3 months	-5.8%	-9.8%
6 months	-7.4%	2.9%
1 year	-16.5%	4.1%
Launch (cumulative)	-38.2%	-13.7%
Launch (annualized)	-6.7%	-2.1%
Months with gains	40.5%	53.6%
Volatility of returns p.a.	11.4%	15.4%
1-yr Sharpe ratio (RFR 6%)	n.a.	0.01

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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 120 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 7956 7254 Fax: +63 2 7956 7065