

**Newsletter**

MBG Equity Investment Fund, Inc.

**Fund Manager's Report**

For the month of February, shares are down 1.3% to 69.02, with the PSEi TR up 2.4% MoM. Year-to-date, shares are down 3.2% vs the PSEi, down 8.1%.

Tit-for-tat actions are a common feature of geopolitical negotiations. According to game theory, the side with the stronger hand often pressures the other into submission. President Trump is applying this strategy with fresh tariffs on Canada and China in response to their retaliatory measures. The Trump administration believes that the U.S. holds the upper hand and will only negotiate on their terms. However, both China and Canada recognize that the U.S. economy is not immune to these pressures. Higher tariffs could fuel inflation, potentially weakening domestic demand. History suggests that such conditions, if prolonged, could lead to deflation rather than inflation, as rising costs erode purchasing power, dampen economic activity, and ultimately force banks to tighten lending—a scenario reminiscent of the events leading up to the Great Depression.

The Philippines is seen as relatively insulated, given its minuscule \$5 billion trade deficit, accounting for approximately 1% of GDP in 2024. Its domestically driven economy makes it less vulnerable to global trade disruptions. Nevertheless, a prolonged trade conflict may knock the world economy out of kilter. The PSEi rebounded slightly this month to 5,997.97 (+2.3%), following last month's sharp sell-off. Trading activity for the month improved, with the market average daily value (ADV) reaching \$103m, surpassing January's average. However, foreigners remained net sellers for the 4th straight month as global trade uncertainties—driven by President Trump's reciprocal tariff plans and mixed corporate earnings—continue to weigh on sentiment.

On the domestic front, headline inflation declined MoM to 2.1% from 2.9% in January, coming in below consensus and BSP forecasts. Core inflation also eased to 2.4% from 2.6%. In a move to support liquidity, the BSP also cut the reserve requirements by 200 basis points for universal banks, 150 bps for digital and 100 bps for thrift banks. With liquidity remaining ample, economic growth still sluggish, and inflation moderating, the probability of policy rate cuts is increasing, setting the stage for a potential resumption of the easing cycle.

Earnings season is underway and several of our companies have reported their results. Our newest addition, a spirits company, posted strong results, with operating income rising by 26% year-over-year and net income growing 33% year-over-year, excluding one-time gains from 2023. Volumes continued to expand, increasing by 9% year-over-year, while revenues climbed 17%. Meanwhile, our mid-sized bank delivered solid performance as well, with net income up 25% year-over-year, supported by a 20% increase in non-interest income and a 16% expansion in its lending portfolio. Deposits grew by 8%, maintaining a CASA ratio of 81%, one of the highest in the industry. Despite these strong fundamentals, valuations remain highly attractive at 0.3 times book value.

With the earnings season in full swing and macro conditions tilting toward an easing bias, we remain focused on identifying opportunities that balance resilience and growth potential. As always, we continue to monitor economic and market developments closely to navigate shifting conditions effectively.

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

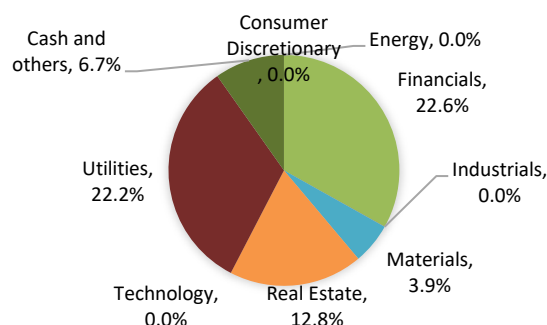
2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-1.9%	-1.3%											-3.2%
PSEi TR <sup>1</sup>	-10.2%	2.4%											-8.1%

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

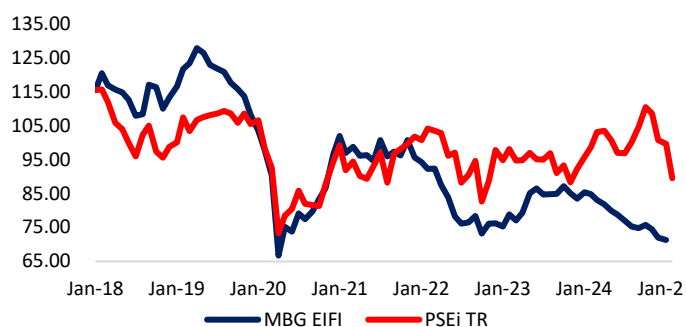
### Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.0%	+/- 3.0%
Correlation to PSEi	0.37	1.0
Beta	0.24	1.0
Stock holdings	93.3%	100.0%
Large cap (> \$3bln)	16.2%	98.4%
Mid cap (\$500mln to \$3bln)	75.8%	1.6%
Small cap (< \$500mln)	8.0%	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	-3.2%	-8.1%
3 months	-4.1%	-9.0%
6 months	-7.8%	-12.4%
1 year	-16.9%	-11.1%
Launch (cumulative)	-40.2%	-20.6%
Launch (annualized)	-6.9%	-3.2%
Months with gains	39.5%	53.5%
Volatility of returns p.a.	12.0%	17.1%
1-yr Sharpe ratio (RFR 6%)	n.a.	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 116 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