

Newsletter

MBG Equity Investment Fund, Inc.

Fund Manager's Report

For the month of May, shares are down 3.1% to 67.98, with the PSEi TR up 3.3% MoM.

Markets enjoyed a short-lived lift as global trade tensions eased. The U.S. and China struck a temporary deal involving a 90-day pause on new tariffs and a rollback in existing ones by 115 ppts. This provided relief but was far from a full resolution. Meanwhile, President Trump delayed his 50% tariff plan on EU goods to July 9, after already slapping them on June 1. Overall, the global trade backdrop remains unpredictable, more a pause in chaos, than a real shift in direction.

On the domestic front, April inflation came in softer at 1.4% — the lowest since Nov '19. That brings YTD inflation to 2.0%, tracking well below the full-year forecast of 2.8%. The BSP already cut rates by 25bps in April and has hinted at two more cuts for the rest of the year. If realized, the policy rate could fall to 5.00% by year-end.

The May 12 midterm senatorial elections delivered a lackluster outcome. Admin-backed candidates won only 5 of 12 Senate seats. The Duterte bloc also picked up 5, keeping that rivalry alive heading into 2028. A week later, Marcos asked for courtesy resignations from his Cabinet, but ultimately kept the key people on the economic team. Ultimately, however, he chose to retain key figures in critical economic portfolios — Finance, Budget, among others— preserving stability and continuity in economic policy. While these developments may complicate certain policy agendas, they do not fundamentally alter the core domestic consumption and financial trends that support our holdings.

Looking into our portfolio, our bank reported 1Q25 net profit of P12.3 bln, up 2.1% YoY. Its gross loans grew 16.1% YoY, outpacing the sector's 12.5% growth. Net interest margins improved by approximately 5 bps QoQ, supported by a shift away from expensive time deposits to lower-cost wholesale funding. We continue to like the bank for its solid fundamentals and compelling valuation. It is among the top largest banks by assets, yet remains undervalued. With its high ROE of 13% with a target to improve to 15% and its high dividend yield of 6.5%, reinforce our conviction in the bank as a core holding. Our spirits company maintained strong momentum in 1Q25, reporting net sales up 8% YoY and net income up 11% to ₱2.1 billion. Building on a record-breaking 2024, when it surpassed 50 million cases sold, our spirits company continues to dominate the Philippine branded spirits market. Its strong brand equity, dominant market share, and nationwide distribution network continue to support steady growth and solid cash generation. Profitability remains robust, with a high ROE of 36% in 2024. We also find the valuation compelling, as it trades at a low P/E of 11x, compared to peer X trading 37x, offering significant potential for re-rating.

While macro headwinds and political noise may persist, we remain firmly focused on fundamentals. Our companies stand out for their robust growth, compelling value, and strong brand leadership in consumption. We believe our holdings are well positioned to navigate short-term volatility and capture long-term opportunities in the Philippine market.

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

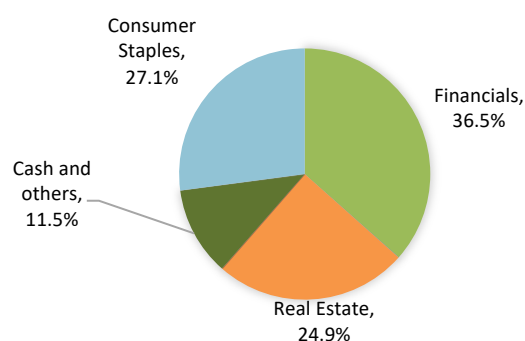
2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-1.9%	-1.3%	1.8%	-0.2%	-3.1%								-4.7%
PSEi TR ¹	-10.2%	2.4%	4.2%	3.1%	3.3%								-2.1%

¹ Philippine Stock Exchange Index Total Return;

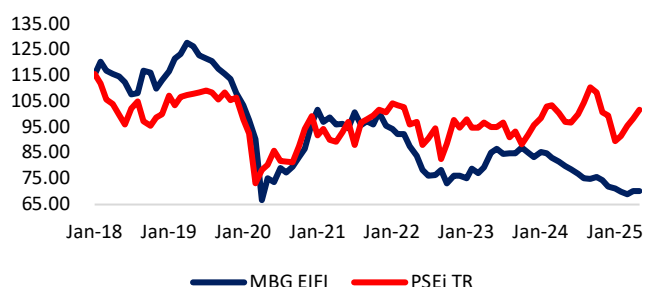
Portfolio Characteristics

	MBGEIFI	PSEi TR
Volatility (3σ, 1-day)	+/- 2.7%	+/- 3.2%
Correlation to PSEi	0.28	1.0
Beta	0.23	1.0
Stock holdings	88.5%	100.0%
Large cap (> \$3bln)	10.1%	98.2%
Mid cap (\$500mln to \$3bln)	89.9%	1.8%
Small cap (< \$500mln)	0.0%	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	-4.7%	2.1%
3 months	-1.5%	11.0%
6 months	-5.5%	1.0%
1 year	-13.7%	4.9%
Launch (cumulative)	-41.1%	-11.9%
Launch (annualized)	-6.9%	-1.7%
Months with gains	39.3%	55.1%
Volatility of returns p.a.	12.8%	17.4%
1-yr Sharpe ratio (RFR 6%)	n.a.	0.05.

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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 68 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. www.mbgfunds.com Tel: +63 2 7956 7254 Fax: +63 2 7956 7065