

Fund Manager's Report

In August, the Fund gained 0.1% to 82.92, outperforming the PSEi TR (-1.3%). On August 28, the BSP trimmed its key policy rate for the third time this year, cutting it by 25bps to 5.0%. Inflation has cooled to a near six-year low of 0.9% in July, and the economy grew 5.5% in 2Q, its best showing in a year. That growth was helped along by a healthy rebound in agriculture and steady spending at home. Low inflation and easier money are a powerful combination for any economy. When people feel prices are under control and borrowing costs are coming down, they're more inclined to spend and invest. We expect it to carry forward into the next few quarters. For us, that's good news. All of our Philippine holdings are tied to the domestic economy, and stronger local consumption should translate directly into stronger earnings.

But even with this resilience, there is a shadow we cannot ignore. Despite achieving robust GDP growth, one major drag on the Philippine economy remains: corruption. Nationwide outrage has gripped the country amid daily televised hearings into fraud and kickbacks in flood-control projects. Millions are tuning in as contractors and legislators are publicly grilled on live television—accountability that's gripping the public conscience and feeding mounting distrust. This scandal isn't just theater. It's a harsh signal that we keep shooting ourselves in the foot. When hundreds of billions of pesos intended for flood defenses vanish into graft, or into weaker, useless infrastructure, ordinary Filipinos suffer the consequences in disasters that recur each rainy season.

The stakes go beyond our domestic crisis. Even international partners are pulling back. South Korea recently suspended a proposed ₱28bln infrastructure loan citing "weak feasibility" and "high corruption risk." South Korean President Lee Jae-myung ordered the project's halt, calling it a protection of taxpayer money. While the Philippines Department of Finance later denied the exact figures or existence of such a loan, the episode itself is still embarrassing—it underlines the perception that corruption will squander opportunities and undermine investor and donor trust.

All told, corruption by a few officials isn't a side issue. It's eating into the Philippines' ability to deliver infrastructure, build resilience, attract funding, and sustain growth. We're literally squandering our future. Unless these televised hearings and the public fury they've unleashed lead to genuine reform, the Philippines will keep paying a steep price for the graft of a few.

In our portfolio, our position in a leading internet company has come under pressure after a weak first half and lowered guidance. Management now expects customer churn of about 2.2% to persist, which trims EBITDA margins to around 60% from 62%, and has cut revenue growth guidance for the year to 10-12% from an earlier 14-16%. The delays in building out Enterprise services and the challenge of keeping skilled workers for fiber installations haven't helped. Still, much of this disappointment looks to be already reflected in the stock after its recent decline. More importantly, the business should be less exposed to the new Open Access law than its peers, and with capital spending set to taper off starting FY26, cash flow and dividends should improve. Those could be the sparks for a recovery.

We recently sold two positions, freeing up capital to redeploy. One new investment is in a leading property company that grew earnings by 8% in the first half of 2025. Occupancy is now at 94%, with lease escalations driving a 10% rise in mall revenues. Renovations are expected to lift lease rates by about 20%, pointing to double-digit revenue growth through 2027. The company also plans ₱57bln in new projects in 2H this year.

We continue to evaluate other opportunities where our capital can be put to better use. In the meantime, we're comfortable holding more cash than usual.

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

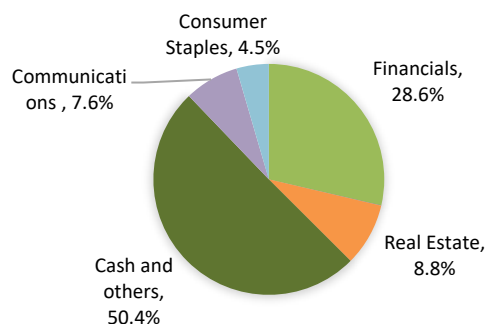
2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
MBG EIFI	-1.9%	-1.3%	1.8%	-0.2%	-3.1%	2.5%	18.9%	0.1%					16.3%
PSEI TR ¹	-10.2%	2.4%	4.2%	3.1%	3.3%	0.6%	-1.7%	-1.3%					-3.3%

¹ Philippine Stock Exchange Index Total Return;

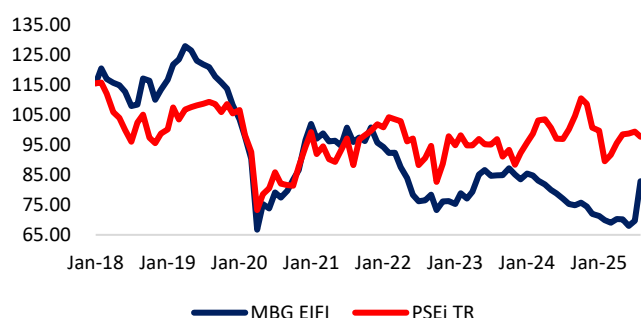
Portfolio Characteristics

	MBGEIFI	PSEI TR
Volatility (3σ, 1-day)	+/- 1.7%	+/- 3.2%
Correlation to PSEI	0.82	1.0
Beta	0.43	1.0
Stock holdings	49.6%	100.0%
Large cap (> \$3bln)	89.1%	98.1%
Mid cap (\$500mln to \$3bln)	10.8%	1.9%
Small cap (< \$500mln)	0.1%	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 (8-Jan-18)

(net of all fees)	MBG EIFI	PSEI TR
Year-to-date	16.3%	-3.3%
3 months	22.0%	-2.4%
6 months	20.1%	5.2%
1 year	10.8%	-7.8%
Launch (cumulative)	-28.2%	-16.8%
Launch (annualized)	-4.2%	-2.4%
Months with gains	41.3%	53.3%
Volatility of returns p.a.	21.1%	17.3%
1-yr Sharpe ratio (RFR 6%)	0.23	n.a.

Fund Information

Launch date	January 8, 2018
Management fee	2%
Performance fee	10% with High Water Mark
Minimum subscription	PHP 100,000
Dealing	Daily
Redemption notice	7 calendar days
Lock-up period and penalty	1 year; 5% penalty
Fund AUM	PHP 46.7 million
FATCA categorization/ GIIN	Registered deemed-compliant foreign financial institution under Model 1 IGA / 6XW2RW.99999.SL.608
Custodian	Standard Chartered
Stock Transfer Agent	MBG Investment Management, Inc.
Auditor	SGV & Co. (Ernst & Young Ltd)
Legal advisors	Mata-Perez & Francisco
Investment Manager	Michael B. Garcia
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