BOV ASSET MANAGEMENT
A MEMBER OF THE BOV GROUP

Fundamentals

March, 2025

The Year Ahead

For this year's first edition of Fundamentals, I would like to begin with highlighting the extraordinary performance achieved by our Asset Management team during the year ending 2024.

Our team demonstrated exceptional resilience, strategic foresight, and innovation in navigating a dynamic market landscape. Despite global economic uncertainties, shifting interest rate policies, and evolving investor expectations, our team successfully delivered very strong results.

Indeed, our global equity portfolio, the Vilhena Global Themed Fund, gave a positive return of 23.12% during 2024. Our United States focused fund, the Vilhena US Multi-Manager Fund, returned 19.86% during the same period.

On the other hand, our risk-based portfolios, the BOV Balanced Portfolio Fund and the BOV Growth Portfolio Fund, gave positive returns of 10.13% and 15.46% respectively during 2024.

Notable performances were achieved by the Vilhena High Yield Fund, which is sub-managed by Insight Investments, giving a return of 7.64% for the year 2024.

As an Asset Management Company in Malta, our aim is not only to create wealth for our clients, but also to educate. We have many educational initiatives planned this year, which include sessions targeted towards the seasoned investor, as well as the younger generation, with our partnership with Skola Sajf, where we introduce the concept of the importance of savings from a very young age.

BOV Asset Management is also licenced to offer discretionary portfolio services to institutional investors. This involves creating be-spoke investment solutions to institutional clients with whom we devise specific investment mandates, exclusively tailored to the client's requirements. We are proud to announce that this pillar of our business has seen considerable growth over the past five years.

Our assets under management have surpassed the €1 billion mark. This was attributed to the excellent investment performance across all UCITS funds and the significant increase in institutional mandates.

As we move forward, we remain focused on leveraging our strengths, deepening client trust, and driving an even greater impact in the asset management space. This edition of fundamentals gives a detailed insight into our US Multi Manager Fund, offering an in-depth analysis of key factors driving its success. We also take a closer look at the local market outlook, examining emerging trends, opportunities and potential challenges that could shape the investment landscape. Additionally, we explore the enduring power of being invested, how a long-term approach to investing continues to be a cornerstone of wealth creation.

Peter Paul Cilia
Head
BOV Asset Management

Fund Focus: The Vilhena US Multi-Manager Fund

INCEPTION DATE:	April 2022
FUND NET ASSET VALUE:	$11.63 million (as at 28th February 2025)
TYPE OF FUND:	EQUITY/GROWTH

Objective

The objective of the Vilhena US Multi-Manager Fund ("The Fund") is to aim to achieve long-term growth by investing predominantly, though not exclusively, in units of Collective Investment Schemes.

What are Collective Investment Schemes (CIS)? CIS are a type of investment vehicle, which allows multiple investors to pool their money in a single fund.

Target Market

BOV Asset Management Limited manages a variety of Funds and the Vilhena US Multi-Manager Fund falls under the Growth Category of the Funds managed by the company. An Investor who chooses a Growth Fund, aims to achieve long-term capital growth, rather than a stream of income/interest at timed intervals. This Fund is suitable for market participants having a long-term investment horizon and having both the ability and willingness to tolerate risk. It is imperative to keep in mind, that a Growth Fund tends to be more volatile, with an inherent element of risk, which in turn should potentially render a higher rate of return than a Fund that is more of the conservative or balanced in nature. In other words, *High Risk = High Reward.*

Fund Overview

The Vilhena US Multi-Manager Fund is designed to give Investors access to a selection of other leading fund management firms, as well as a wide array of investments across the United States, which are actively managed to provide Investors with strong potential to maximise the return on investment. The Fund also invests in a number of Exchange Traded Funds (ETF's), with exposure across all sectors in the United States. The Vilhena US Multi-Manager Fund has two currency share classes, which means you can invest in either US Dollars, or the Euro.

*TOP 3 HOLDINGS	
T Rowe Price US Large Cap	18.59%
Amundi S&P 500	16.51%
AXA Investment Management US Enhanced Index	15.37%

*PERFORMANCE FIGURES net of fees
6 Months – 5.66%
1 Year – 14.21%
2 Years – 41.76%

*TOP 3 CONTRIBUTORS - 1 YEAR	
Amundi S&P 500 UCITS ETF	3.13%
T. Rowe Price US Large Cap Growth Equity Fund	2.99%
AXA Investment Management US Enhanced Index	2.61%

*data as at 28th February 2025

Source: BOV Asset Management

BOV Asset Management Limited, manufactures various Funds and this Fund in particular was chosen at random to feature in this brochure. The figures stated are correct at the time of publishing and the Company has no obligation to update the figures quoted in this brochure. Past performance and investments in this fund should be based on. Past performance is not a guarantee to future performance. The value of the investment can go down as well as up and any initial charges may lower the amount invested and the amount received upon redemptions. Investments should be based on the full details of the Prospectus, Offering Supplement and the Key Information Document which may be obtained from BOV Asset Management Limited, Bank of Valletta p.l.c. Branches/Investment Centres and other Licensed Financial Intermediaries. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Tara Vella
Manager
BOV Asset Management

The Power of Being Invested: Why Holding Cash May Be Costly and How Investments Offer a Better Future

In a world where inflation eats away at purchasing power, holding large amounts of cash can be an unwise strategy for building wealth. For many individuals and businesses alike, the key to long-term financial growth lies in the power of being invested. While cash might provide a sense of security in the short term, it might hinder growth opportunities in the long run.

Cash has always been regarded as a safe haven that's easily accessible in times of need. However, in times of rising inflation, holding onto cash can actually be detrimental to your wealth. Inflation erodes the purchasing power of money over time. For instance, if inflation is at 3% per year, then the value of your cash declines by 3% annually, meaning that what you could buy today will cost more in the future.

The hidden cost of holding cash is the opportunity cost - the potential growth you're missing out on by not investing. Cash in a savings account earns little to no interest, while investments in equities, bonds, or other assets have the potential to grow significantly over time. This is particularly important in a world where inflation rates tend to outpace the interest rates offered by traditional bank accounts.

Investing allows you to leverage on the power of compounding, an essential factor in wealth generation. When you invest, you're not just earning returns on your initial capital; you're also earning returns on the returns themselves. This exponential growth is a powerful tool that can significantly increase the value of your money over time. The longer you stay invested, the greater the compounding effect. Holding cash simply doesn't offer this opportunity. In fact, if the inflation rate is higher than the interest you're earning on your cash, you're effectively losing money in real terms.

One of the most effective ways to mitigate risk in investments is through diversification. This strategy involves spreading investments across a wide range of assets, such as stocks, bonds and even alternative investments. By diversifying, investors reduce the impact of any one asset's poor performance on the overall portfolio.

Diversification is crucial because different assets perform well at different times. By holding a mixture of asset classes, you can smooth out the highs and lows, providing more consistent long-term returns. Furthermore, diversification allows you to take advantage of opportunities across various sectors and markets, enhancing the potential for higher returns without overly exposing yourself to risk.

Investing consistently over time, rather than trying to time the market, is another powerful strategy. Euro-cost averaging involves investing a fixed amount at regular intervals, regardless of market conditions. This method reduces the impact of market volatility, as it prevents you from making decisions based on short-term fluctuations. When the market is down, your fixed investment buys more assets, and when the market is up, it buys fewer assets. Over time, this strategy lowers the average cost of your investment, which increases returns when markets recover. This strategy also helps investors stay disciplined and avoid emotional reactions during market downturns, making it an essential part of long-term investing.

Investments cater to a wide range of financial objectives. Whether you're saving for retirement, a child's education, or a major life event, an investment strategy can be crafted to meet your specific needs. The compounded returns from well-chosen investments can help ensure that you are financially prepared for the future, even as inflation continues to erode the value of cash. Moreover, as your wealth grows, the returns generated from investments can also provide greater flexibility and opportunities.

The power of being invested cannot be overstated. Holding cash may feel safe in the short term, but it comes with a significant cost and missed opportunities for growth. Investing, on the other hand, offers a way to preserve and grow wealth over time through the power of compounding, diversification, and strategic planning.

By diversifying across asset classes, employing euro-cost averaging, and selecting actively managed investment vehicles tailored to specific risk tolerances, investors can better navigate the uncertainties of financial markets. Investments offer a dynamic and flexible approach to wealth building that cash simply cannot match. In a world where the cost of holding cash continues to rise, embracing the power of being invested is not just a choice but a financial necessity.

John Fenech
Investment Specialist
BOV Asset Management

BOVAM'S Local Market Outlook for 2025

Malta's economy continued to demonstrate resilience growing at circa 5% in real terms in 2024, significantly above the 0.7% for the EU. Real economic growth in Malta is expected to gradually normalize as it eases from the 6.7% recorded in 2023 to between 3.9% and 4.3% in 2025 and settle at around 4% annually thereafter. The job market also remains strong as the unemployment rate remains at historic lows of 3% (EU: 5.9%) with expectations to stabilise around this level for the foreseeable future.

The positive economic environment is also demonstrated by the current account balance of payments, projected to stay in a surplus whilst the government deficit is narrowing towards the 3% of gross domestic product ('GDP') target, stabilising public debt at around 50% of GDP, which is significantly below the 90% eurozone levels.

Inflation has been successfully moderated from the peak in October 2022 (MT: 7.4%, EU: 10.6%) to 2.5% and is set to average 2.2% in 2025, in both Malta and the Euro Area. These expectations allow for continued monetary policy easing from the ECB, assuming stability in energy prices and the absence of a wage-price spiral. In the latest budget, the government confirmed its commitment to maintain stable energy prices, resisting external pressures to adjust its blanket support measures.

The tourism sector maintained a strong momentum, with improved air connectivity, supporting record visitor numbers and high hotel occupancy rates. Meanwhile, residential property prices are rising steadily, with growth slightly exceeding the 6.1% annual average since 2021. Stable transaction volumes reflect strong market fundamentals, supported by population growth and limited pass-through of ECB rate hikes. However, the government's planned review of migration policy could impact future demand for property.

The local equities market saw a marginal decline of 0.41% overall, primarily due to the inherently low trading activity of the local market. Despite this, major financial institutions such as Bank of Valletta Plc (21.13%) and HSBC Bank Malta Plc (11.72%) delivered strong investment returns. Both companies reported robust financial results and offered attractive dividends to shareholders. Another notable top performer was Tigné Mall Plc (11.73%) driven by a public takeover bid. In contrast, the remaining equities delivered significantly negative returns overall.

Looking ahead to 2025, the outlook for this asset class remains cautious. Discussions around stock buybacks, coupled with a stable economic environment, may encourage increased market activity, achieving improved returns for investors in 2025.

In 2024, Maltese government stocks ('MGS') delivered positive returns driven by investor preference for longer maturities amid the ECB's monetary policy adjustments. The local corporate bond index also experienced significant growth, delivering a strong one-year total return of 7.21%. This reflects local investors' strong preference for higher-yielding local corporate bonds relative to deposit rates. 2024 saw several new corporate bond issues totalling €437 million, offering yields appealing to local investors.

Issuance plans in 2025 include €1.5 billion in new MGS by the government comprising €0.6 billion to refinance maturing debt and €0.9 billion to fund the projected deficit. Strong retail savings and stable economic growth are expected to maintain robust investor demand. Notable corporate bonds scheduled for maturity include International Hotel Investments plc (€45 million) and Hili Properties plc (€37 million). These key issuers in Malta's corporate bond market may seek refinancing through new offerings. Furthermore, it is anticipated that there will be further rate cuts by the ECB that may once again encourage increased bond issuance as companies seek to capitalise on lower borrowing costs.

Selsybele Khutri
Investment Specialist
BOV Asset Management


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