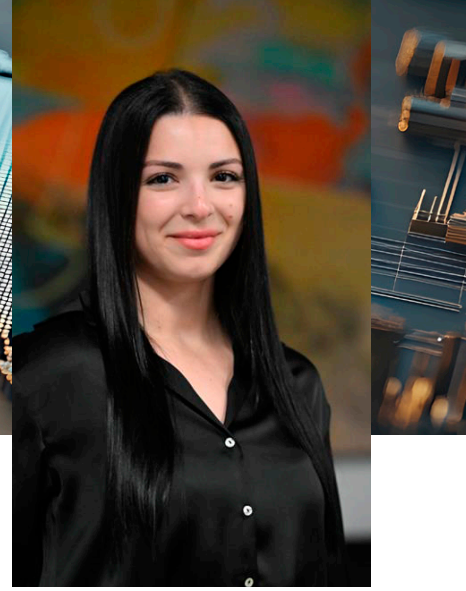


Fundamentals

June, 2025

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Risk Analyst, BOV Asset Management
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Evaluating Geopolitical Threats & Their Effects on Investment Funds

Geopolitical risk has returned as a key factor influencing investment risk and return, crucially becoming one of the most focal concerns for investors. It is imperative that such concerns are navigated through risk mitigants, investment strategies and by maintaining awareness of current global events and developments.

Analysing geopolitical risks with the right mixture of quantitative tools, qualitative analysis, and ongoing monitoring will develop a strong framework to measure and manage such risks whereby decreasing any probability of investment vulnerabilities.

Geopolitical risk is caused by potential threats and uncertainties arising from political, economic, social, and military events or conflicts between countries. Such instances will significantly impact businesses, investments, and global markets whilst influencing market sentiment, macroeconomic stability, counterparty risk and market volatility. Geopolitical risks shape policies such as sanctions, trade controls and investment restrictions, requiring financial institutions to adapt their processes and procedures in response to evolving geopolitical conditions.

Geopolitical risks are challenging due to their unique nature, rare occurrence, and uncertain duration and scope, leading to sharp market reactions when geopolitical shocks materialise. Of the different types of major geopolitical risk events, international military conflicts hit emerging market stocks the hardest, likely because of more severe economic disruptions compared with other events.

Due to rapid shifts in market sentiment, fund managers are driven to reassess their investment strategies. For instance, trade tensions between major economies like the U.S. and China can ripple through global markets, affecting commodity prices, supply chains, and investor confidence. Political unrest in oil-rich regions often leads to price hikes in the energy sector, impacting related investments.

Geopolitical risks can affect specific sectors differently, as an example, an escalation in military conflict might boost defence stocks as governments ramp up spending on military equipment. Conversely, industries reliant on global supply chains, such as technology or manufacturing, may suffer as trade routes become disrupted or tariffs are imposed.

The announcement of extreme retaliatory tariffs by the President of the US, in April 2025 has heightened geopolitical risks for global investments. This policy shift has disrupted global trade dynamics, particularly between the U.S. and China, which Trump views as an economic rival. Additionally, the uncertainty surrounding these tariffs has wreaked havoc in financial markets, resulting in the biggest volatility spike post COVID, causing the value at risk of funds denominated in USD Currency to increase rapidly.

Another event that heightened geopolitical concerns was President Trump's expressed interest in purchasing Greenland. This interest stemmed from the island's strategic significance, given its abundant reserves of rare earth

minerals and its pivotal location for Arctic operations, which render it a valuable asset for controlling trade routes and enhancing military positioning. The United States' interest in Greenland also raised significant questions regarding sovereignty and international law, particularly as Denmark and the European Union strongly opposed the proposal.

To reduce the effects of geopolitical challenges, fund managers often adopt diversification strategies by investing in a broad range of asset classes, regions and sectors, aiming to cushion portfolios from sudden shocks. During times of political uncertainty, defensive equity sectors like, healthcare and utilities tend to be less affected by geopolitical disruptions. Additionally, alternative investments such as real estate in politically stable regions or commodities like precious metals can act as safe havens during turbulent times as they help stabilize portfolios when global events disrupt traditional markets.

Geopolitical events can also cause significant volatility in foreign exchange (FX) markets, affecting underlying investments. Hence the adaptation of hedging strategies within funds is deemed vital to manage currency risk effectively.

Geopolitical risks often lead to changes in trade policies and regulations, which can impact the fund sector. For instance, sanctions imposed on certain countries can restrict investment opportunities and affect the value of existing assets whereby fund managers must navigate these regulatory changes, ensuring compliance while seeking new opportunities in emerging markets, requiring a deep understanding of global politics and market psychology to make informed decisions.

While it may seem like the global economy and financial markets are regularly upended by unpredictable and even unprecedented events, there is still much that the financial sector and those charged with safeguarding it can do to protect financial stability.

Financial institutions and their regulators are allocating adequate resources to identify, quantify, and manage geopolitical risks through stress tests and other analyses to determine how such risks are likely to interact with financial markets. In addition, holding enough capital and liquidity is essential to help surmount any potential losses from geopolitical risks.

Geopolitical risks are an ongoing factor in the fund sector, constantly shaping investment strategies and asset allocation. Fund managers play a crucial role in navigating these risks, anticipating their impact, and safeguarding client assets through careful, informed decision-making. By adopting diversification strategies, monitoring geopolitical developments, and staying compliant with regulatory changes, the effects of geopolitical risks can be mitigated, and financial stability can be maintained.

Samantha Jayne Abela
Risk Analyst
BOV Asset Management

Invest wisely and consolidate
your wealth with the
BOV Conservative Portfolio Fund
for brighter days ahead.

*Keep the
adventure
going.*

Benefit from
50% off initial fees



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BOV

ASSET MANAGEMENT

A MEMBER OF THE BOV GROUP





Fund Focus: The BOV Conservative Portfolio Fund

INCEPTION DATE: January 2017
 FUND NET ASSET VALUE: €44.31 million (as at 30th May 2025)
 TYPE OF FUND: MULTI-ASSET

Objective

The BOV Conservative Portfolio Fund ("the Fund") aims to provide a combination of income and long-term capital growth by investing in a diversified portfolio with a low to medium risk investment strategy.

Target Market

BOV Asset Management Limited oversees a diverse range of funds, including the BOV Conservative Portfolio Fund, which is classified under the Income Category of the company's managed funds. The BOV Conservative Portfolio Fund is designed to provide a combination of income and long-term capital growth by investing in a diversified portfolio with a low-risk investment strategy. It primarily targets investors with a very low risk tolerance, making it a solid choice for those prioritizing income generation.

Fund Overview

The BOV Conservative Portfolio Fund falls under the BOV Investment Funds umbrella of funds. The BOV Investment Funds are designed to align your investments with your risk tolerance, adapting to market fluctuations over time. To maintain a consistent risk level, these funds strategically utilize a mix of asset classes, ensuring diversification while managing uncertainty. By leveraging 'diversification through lower correlation,' these funds help balance your portfolio, as different assets react uniquely to economic shifts. Some perform well during booms, others excel during slowdowns, and exposure to various geographical markets enhances correlation benefits and overall investment performance.

The BOV Conservative Portfolio Fund is a global investment portfolio that primarily allocates assets to Collective Investment Schemes and Exchange Traded Funds, covering a diverse range of debt and equity securities. The fund offers two share classes: an accumulation class, allowing investors to reinvest interest, and a distribution class, catering to those who prefer to receive interest payments from the underlying investments.

*TOP 5 Asset Class Holdings	
Global Corporate Bonds	33.25 %
USD Investment Grade Bonds	21.99 %
EUR Investment Grade Bonds	16.70 %
Global Equities	16.28 %
GBP Investment Grade Bonds	3.87 %

*PERFORMANCE FIGURES net of fees	
Year to Date - 0.89%	
1 Year - 4.45%	
3 Years - 5.62%	

*TOP 3 CONTRIBUTORS - Year to Date	
European Equities	0.49%
Maltese Corporate Bonds	0.07%
EUR Investment Grade Bonds	0.05%

*data as at 30th May 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



Euro Area Economic Outlook 2025: Resilience Amid Global Uncertainty

The Trump administration brought with it disruptive policy plans and uncertainty which caused market turmoil and global economic growth slowdown. Such policies included the imposition of tariffs, export restrictions and de-funding of foreign aid. That being said, the Euro Area started the year stronger than expected, and is projected to keep growing throughout 2025, albeit at a slower rate for the second half of the year, with growth expected to pick up in 2026.

During the first quarter of 2025, Euro Area real GDP growth temporarily increased to 0.3% quarter on quarter, exceeding the ECB's projection of 0.2%. Preliminary trade data suggests that activity was boosted by front-loaded exports to the US. Domestic demand also contributed positively to growth, with a rebound in consumption in Germany, but a slight slowdown in France, Spain and the Netherlands. Industrial production has also seen a positive increase and recovered most of the losses accumulated since mid-2023.

As for the second quarter of the year, indicators are showing that there has been a deceleration in aggregate activity, primarily driven by a weakening services sector. Furthermore, the Euro Area composite PMI (Purchasing Managers' Index) fell further in May following an initial decline in April. These levels are consistent with flat or marginally contracting private sector activity in quarter two. Manufacturing data however is showing resilience, which most likely is supported by continued front-loading of US demand.

So far, this year the ECB have cut rates four times, each by 25 basis points. The latest cut which happened during the first week of June, brought the deposit rate down to 2.0%. Such decision is backed by downward revisions to near term growth and headline inflation coupled with rising trade frictions and uncertainty, lower energy prices and a stronger euro. The ECB shall remain non-committal on its policy path and will continue to follow a meeting-by-meeting approach to maintain flexibility and optionality in policy calibration. The immediate impact of the tariffs under Trump's administration on inflation is less clear, with central bank policy makers noting that it could depend on any potential countermeasures.

Inflation has been falling throughout 2025 amid uncertainty for the euro zone economy, as well as for the rest of the world. In fact, last week Euro zone inflation fell to 1.9% for May, cooler than expected and below the 2% target of the ECB. The services inflation print cooled significantly to 3.2% last month, compared to the previous month of 4%. Core inflation, which excludes energy, food, tobacco and alcohol prices, also eased, falling from 2.7% in April to 2.3% in May. Chief Economist Philip Lane noted that tariffs are important for the inflation outlook, in particular when it comes to energy prices and the exchange rate, which so far has been dis-inflationary.

The labour market remains robust, with a record creation of 1.7 million new jobs in the EU economy in 2024 and projected to expand by a further 2 million jobs. The unemployment rate in the Euro Area declined to 6.2% in April, as compared to 6.3% in March. So far this year the unemployment rate has fallen from a year ago, where the jobless rate was at 6.4%, and is expected to fall further to a historic low of 5.7% in 2026.

The near term global macroeconomic outlook remains uncertain due to Trump's protectionist tariff plans which are widely seen as harmful and in turn have caused muddled economic outlooks. However, on account of the developments the Euro Area has made, the region's resilience stands out. The ECB has left its 2025 growth forecast unchanged at 0.9%. Beyond 2025, the positive impact of higher defence and infrastructure spending offsets the fallout from US tariffs. As a result, 2026 quarterly growth profile has been upgraded, with growth of 0.4% quarter on quarter expected from Q2 of 2026 onwards.

Kristina E. Vella
Investment Specialist
BOV Asset Management



The BOVAM Investments Seminar

The BOV Asset Management Investments Seminar took place last April at The Cavallieri Art Hotel. Designed to keep the bank's investment representatives well-informed, the seminar provided insights into current market trends and key updates on the funds managed by BOV Asset Management. Kenneth Farrugia, Chief Executive Officer at Bank of Valletta, kicked off the seminar by warmly welcoming staff from various distribution channels across the Bank. Mr. Farrugia emphasized the significance of starting your investment journey early in life, particularly in relation to pension plans.

The Portfolio Management team at BOV Asset Management provided insights and analysis on the current market landscape, along with their outlook for the months ahead. Their presentations offered a comprehensive review of the performance of the Funds managed at BOV Asset Management.

Portfolio Managers Adrian Borg and Thomas Brooks, alongside Investment Specialist Kristina Vella, examined the foreign equity and fixed income funds in detail. Similarly, Investment Specialist John Fenech, delivered an in-depth assessment of multi-asset investments. Meanwhile, Investment Specialist Selsybele Khutri focused on the local market funds.



Guest speaker Greta Rapinett delivered an inspiring talk on effectively managing challenging situations in the workplace. Ms. Rapinett, a Business Trainer, is known for helping teams develop strong customer service skills and improve team dynamics. Handling difficult situations is a crucial skill in any workplace, and learning how to stay composed, listen actively, and find solutions can make a huge difference.

Peter Paul Cilia, Head at BOV Asset Management, provided an overview of BOVAM's business performance during the first quarter of the year. He was accompanied by Therese Azzopardi, Manager at BOV Asset Management, who emphasized the Company's dedication to enhancing support and training initiatives through regular market updates, courses, and seminars.

Simon Azzopardi, Chief Personnel & Wealth Officer, delivered the concluding remarks on the funds' performance amid highly volatile market conditions. Mr. Azzopardi wrapped up the seminar with commendation, applauding the bank's representatives for their outstanding work.



Tara Vella
Manager
BOV Asset Management

Our experts will help you reach higher
with the **BOV Growth Portfolio Fund**.

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