

Fundamentals

September, 2025



- 1. The Cautious Investor's Guide to Beating Inflation**
Adrian Borg
Lead, BOV Asset Management
- 2. Fund Focus: The Vilhena High Yield Fund**
Tara Vella
Manager, BOV Asset Management
- 3. The High Yield Market**
Ulrich Gerhard
Portfolio Manager, Insight Investment Management
- 4. The BOV AM Investment Seminar**
Tara Vella
Manager, BOV Asset Management



The Cautious Investor's Guide to Beating Inflation

For generations, the cornerstone of financial wisdom passed down in many families has been simple and powerful: work hard, save diligently, and keep your money safe. For most of us, "safe" means a trusted savings account, perhaps some government bonds, or a fixed deposit. It's the comfort of knowing that the number on your bank statement isn't going to suddenly disappear overnight. This approach is prudent, responsible, and built on a healthy aversion to risk.

But what if the greatest risk to your long-term financial security isn't the volatility of the market, but a silent thief that visits your bank account every single day? That thief has a name: inflation. We all feel inflation in our daily lives. It's the reason the price of a coffee, a loaf of bread, or filling up your car's fuel tank is higher today than it was a few years ago. Simply put, the purchasing power of your money decreases over time. A sum of €10,000 sitting in a very low-interest account might still be €10,000 in numbers next year, but it will buy you less.

Let's imagine your savings account pays you a 1% annual interest rate. If inflation for that year is 3%, your "safe" money has effectively lost 2% of its real value. You haven't lost money, but you've lost the power of that money. In this scenario, the conservative strategy, designed to eliminate risk, has ironically guaranteed a loss in purchasing power. This is the central challenge for the modern saver: how do you protect your wealth not just from market drops, but from slowly being eroded by inflation?

This is where the idea of balancing your portfolio comes in. It doesn't mean abandoning your cautious strategy. Instead, it means adding a small, smart growth engine to your financial plan. This engine is often powered by equities, more commonly known as stocks or shares.

For many, the word "shares" summon images of risky bets and Wall Street chaos. But at its core, an equity is simply a small piece of ownership in a large, established company. When you own a share, you own a tiny fraction of that business. If the company does well, grows its profits, and expands, the value of your tiny slice can grow with it. Furthermore, many companies share a portion of their profits directly with shareholders in the form of dividends, providing a potential source of income.

The key to incorporating equities into a conservative portfolio is allocation. It's not about taking all your savings and betting on the stock market. That would be reckless. A conservative investor might decide to place 80% or 90% of their funds in traditional safe assets, while allocating just 10% or 20% to a diversified basket of equities. This small allocation is designed to work a little harder, with the goal of generating returns that outpace inflation over the long term. This modest exposure to growth can make a significant difference in your final wealth, without exposing your entire nest egg to market volatility.

Even with a small allocation, the inherent risk of equities can be managed effectively through several proven strategies. The most fundamental of these is diversification, the principle of not putting all your eggs in one basket; instead of buying shares in just one or two companies, it is far wiser to spread your investment across many different companies, industries, and even countries, which is easily achieved through a fund that pools investor money to achieve a wide

variety of investment exposures. This diversified approach is most powerful when combined with a long-term perspective. While the stock market can be unpredictable in the short term, the secret is to think in years, not days, as historically, despite wars and recessions, well-diversified investments have trended upwards over long periods of a decade or more, making time the conservative investor's best friend in smoothing out the inevitable bumps. To further reduce risk, one can also invest regularly by committing a smaller, fixed amount of money every month or quarter, a strategy that ensures you automatically buy more shares when prices are low and fewer when they are high, avoiding the pitfalls of investing a large sum at the wrong time.

In today's world, true financial security requires a new way of thinking. It's about balancing the preservation of your capital with the preservation of its future buying power. A portfolio consisting solely of cash and bonds may feel safe but may be fighting a losing battle against inflation. By dedicating a small portion of your portfolio to a diversified range of equities, you are not becoming a speculator. You are becoming a more prudent, balanced investor, giving your hard-earned money a chance to not just survive, but to thrive over the long run. To begin this journey, a conversation with a qualified financial advisor can help you create a strategy that respects your cautious nature while aiming for a more secure financial future.

Adrian Borg
Lead
BOV Asset Management

September, 2025

Cheers to your new job Your time to invest

We have the right investment solution for you.



Contact us | infoassetmanagement@bov.com

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. BOV Asset Management Limited is licensed to provide Investment Services in Malta under the Investment Services Act (Cap. 370 of the Laws of Malta) by the Malta Financial Services Authority. Issued by BOV Asset Management Limited, 58, Triq San Żakkarija, il-Belt Valletta, VLT 1130, Malta. Tel: 21227311, Email: infoassetmanagement@bov.com, Website: www.bovassetmanagement.com.



Fund Focus: The Vilhena High Yield Fund

INCEPTION DATE: March 2006
FUND NET ASSET VALUE: €116.33 million (as at 29th August 2025)
TYPE OF FUND: HIGH YIELD, SUB-INVESTMENT GRADE

Objective

The Fund aims to generate a high level of income by investing in a diversified range of fixed income securities, primarily focused on non-investment grade debt instruments, while also pursuing opportunities for capital appreciation.

Target Market

The Vilhena High Yield Fund is designed for investors aiming to achieve higher returns than those typically offered by traditional bonds or savings accounts—particularly during periods of low interest rates. Investors considering this fund should be prepared to navigate greater market volatility and maintain a long-term investment outlook.

Fund Overview

The Vilhena High Yield Fund offers exposure to a well-diversified portfolio of selectively chosen sub-investment grade and unrated corporate bonds. Denominated in Euro, this fund is designed for investors with a higher risk tolerance, seeking enhanced income and long-term capital appreciation potential. The Fund offers multiple share classes, including one denominated in USD, alongside accumulator and distributor options to suit different investment preferences. The fund is actively invested across a diverse portfolio of more than 100 individual securities, reflecting its broad market exposure and commitment to diversification.

*TOP 5 Asset Class Holdings	
Techem Verwaltungsgesellschaft 4.625% 2025-2035	2.11 %
USD Investment Grade Bonds	2.08 %
EUR Investment Grade Bonds	1.94 %
Global Equities	1.92 %
GBP Investment Grade Bonds	1.75 %

*PERFORMANCE FIGURES net of fees	
Year to Date – 3.68%	
1 year – 5.67%	
3 years – 24.38%	

*TOP 3 PERFORMERS - Year to Date	
Marstons Issuer 5.641% 07/15/2035	8.43 %
Greene King Finance 5.702% 12/15/2034	6.22 %
SGL Group Floating Rate Note 22/04/2030	6.13 %

*data as at 29th August 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 High Yield Market

Mr. Ulrich Gerhard, sub-investment manager of the Vilhena High Yield Fund at Insight Investments Management, visited Malta this July, offering us a valuable chance to tap into his insights on today's high yield market landscape.

Could you provide us with a snapshot of the current conditions in the high yield market?

The high yield market is well balanced at the moment, with elevated yields, strong inflows into the asset class and limited supply as most companies are only refinancing its outstanding debt. Earnings remain at decent levels, and we are not expecting a significant recession, which is the biggest threat to the high yield market in any of our investment areas. The underlying credit quality in high yield has improved over the past 20 yrs and as such default rates are low and will remain low going forward. 65% of the entire market is today rated BB.

Why do you believe High Yield investments are still attractive for investors today?

Yield remains our primary focus, offering a highly attractive carry compared to cash and investment-grade instruments. The companies in our portfolio hold public credit ratings—unlike many Maltese firms—and are large and well-diversified, which significantly reduces the risk of losses due to credit defaults.

What are some of the key factors driving the performance of High Yield funds right now?

As always, success lies in selecting the right companies—particularly those that generate consistent free cash flow. This enables them to offer higher bond coupons, pursue strategic acquisitions, and reward shareholders through dividends. We remain cautious not to overexpose ourselves to CCC-rated bonds and actively avoid sectors most vulnerable to tariffs, such as auto suppliers. Ultimately, our strategy centers on investing in businesses with stable, predictable operations and strong leadership—an approach we believe is key to outperforming our benchmark.

What is the role of a fund manager in the High Yield market, and how do they navigate the challenges and opportunities it presents?

In the high yield space, portfolio managers heavily depend on input from their analysts, as is the case at Insight Investment Management. We are responsible for executing trades and ensuring strict adherence to fund guidelines. If a holding receives a sell rating, it's imperative that we divest in line with the analyst's recommendation—regardless of our personal perspective. In this structure, it's the credit analyst who holds the decisive authority, not the portfolio manager.

What advice would you give to someone considering investing in High Yield funds for the first time?

I would recommend investing in an actively managed fund backed by a seasoned portfolio management and research analyst team. High yield investments offer attractive income potential and modest capital gains and historically have outperformed equities over the long term with lower volatility.

While high yield carries more volatility than investment-grade bonds, investors are compensated through higher yields and the opportunity for capital appreciation. It's best viewed as a strategic allocation within your broader investment portfolio—suited for a medium to long-term horizon rather than short-term positioning.

Market fluctuations and bond selloffs can occur, but with the guidance of a skilled fund manager, you can be confident that the portfolio remains resilient, and that underlying investments will meet their obligations at maturity.

Ulrich Gerhard
 Portfolio Manager
 Insight Investment Management



The BOVAM Investments Seminar

The BOV Asset Management Investments Seminar took place last July at Trident House. The seminar aimed to equip the bank's investment representatives with up-to-date knowledge, offering valuable insights into prevailing market trends and the latest developments in the funds managed by BOV Asset Management. Simon Azzopardi, Chief Personal and Wealth Officer of Bank of Valletta, opened the seminar with a warm welcome to staff representing the Bank's diverse distribution channels. Mr. Azzopardi expressed his appreciation for the audience's efforts and dedication, which significantly supported the bank's progress in the first half of the year.

The Portfolio Management team at BOV Asset Management shared a performance update on the funds under their management for the first half of the year, as well as an in-depth analysis of the current market environment and shared their forward-looking perspectives for the coming months.

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 and local market. Guest speaker Mr. Ulrich Gerhard, Portfolio Manager at Insight Investments Ltd, presented an overview of the Vilhena High Yield Fund.

He also provided insights into the European and US corporate credit markets and outlined the investment approach adopted by the fund's analysis team. Mr. Ulrich explained that the fund currently holds over 100 securities, ensuring broad diversification across its portfolio.

Peter Paul Cilia, Head at BOV Asset Management, provided an overview of BOVAM's business performance during the first half 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.

To wrap up the seminar, the BOV Asset Management team thanked all participants for their engagement and throughout the sessions. The floor was then opened for questions, allowing attendees to seek clarification, share perspectives, and deepen their understanding of the topics discussed. This interactive segment fostered a collaborative atmosphere and reinforced key takeaways. The seminar concluded on a positive note, with participants expressing appreciation for the valuable insights and practical knowledge gained.



Tara Vella
Manager
BOV Asset Management



VILHENA HIGH YIELD FUND BOOST YOUR INCOME 6.25% annualised Income Yield as at 30th June 2025



Visit our Investment Centres:
Bir id-Deheb | Gżira | Mosta | Qormi | Gozo

Talk to us | bovassetmanagement.com



Past performance is not necessarily a guide to future performance. The annualised income yield is calculated by weighting the annualised income yield as at 30th June 2025 for each of the underlying bonds held by the Fund proportionate to the units held by the Fund in each bond. The value and the income yield of the investment may go down as well as up, and currency fluctuations may also affect the value of the investment. Any initial charges that may apply may lower the amount invested and the amount received upon redemptions. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. Investments should be based on the full details of the Vilhena Funds Prospectus, Offering Supplements, and the Key Information Document, which may be obtained from BOV Asset Management Limited, Bank of Valletta p.l.c., Branches and Investment Centres, and other licensed financial intermediaries. The Vilhena Funds SICAV p.l.c. is licensed by the Malta Financial Services Authority and qualifies as UCITS. BOV Asset Management Limited is licensed to conduct investment services in Malta under the Investment Services Act (Cap. 370 of the Laws of Malta) by the Malta Financial Services Authority. Issued by BOV Asset Management Limited, 58, Triq San Zakkarija, Il-Belt Valletta, VLT 1130, Malta. Tel: 2122 7311, Email: infoassetmanagement@bov.com, Website: www.bovassetmanagement.com. Source: BOV Asset Management Limited.

The writers and the Company have obtained the information contained in this document from sources they believe to be reliable, but they have not independently verified the information contained herein and therefore its accuracy cannot be guaranteed. The writer and the Company make no guarantees, representations or warranties and accept no responsibility or liability as to the accuracy or completeness of the information contained in this document. They have no obligation to update, modify or amend this article or to otherwise notify a reader thereof if any matter stated therein, or any opinion, projection, forecast or estimate set for the herein changes or subsequently becomes inaccurate. Past performance is not necessarily a guide to future performance. The value of the investment may fall as well as rise and currency fluctuations may also affect the value of the investment. Any initial charges that may apply may lower the amount invested and the amount received upon redemptions. Investments should be based on the full details of the Vilhena Funds Prospectus, Offering Supplements and the Key Information Document, which may be obtained from BOV Asset Management Limited, Bank of Valletta p.l.c., Branches and 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. The Vilhena Funds SICAV p.l.c. is licensed by the Malta Financial Services Authority and qualifies as UCITS. The BOV Investment Funds is licensed by the MFSA as a collective investment scheme pursuant to the Investment Services Act and the UCITS Directive. BOV Asset Management Limited is licensed to conduct investment services in Malta under the Investment Services Act (Cap. 370 of the Laws of Malta) by the Malta financial Services Authority. Issued by BOV Asset Management Limited, 58, Triq San Żakkarija, Il-Belt Valletta, VLT 1130, Malta. Tel: 2122 7311, Email: infoassetmanagement@bov.com, Website: www.bovassetmanagement.com. Source: BOV Asset Management Limited.