

SUMMARY TREASURY STRATEGY Q1 2024

Treasury & Asset Management
Basel, 22 December 2023

Public Information

EUROFIMA
European Company for the Financing
of Railroad Rolling Stock
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Objective

The TREASURY STRATEGY is a document produced by the Treasury & Asset Management unit with the purpose to review and guide its investment activities. The objective is to define the investment strategy for the next quarter as well as to align our investment decisions to EUROFIMA's long-term investment goals. This is a summary of the internal extended version of the TREASURY STRATEGY which contains a market overview, a performance and portfolio review as well as a section dedicated to strategy. The document is submitted to the Management Committee (i.e., the CEO and CFO) for approval each quarter end.

EUROFIMA publishes this summary of the TREASURY STRATEGY on its webpage with a focus on the portfolio overview and key risk metrics. The objective of this summary is to increase transparency in our investment activities and give an update on our progress on the topic of responsible and sustainable investment management.

Portfolio Overview

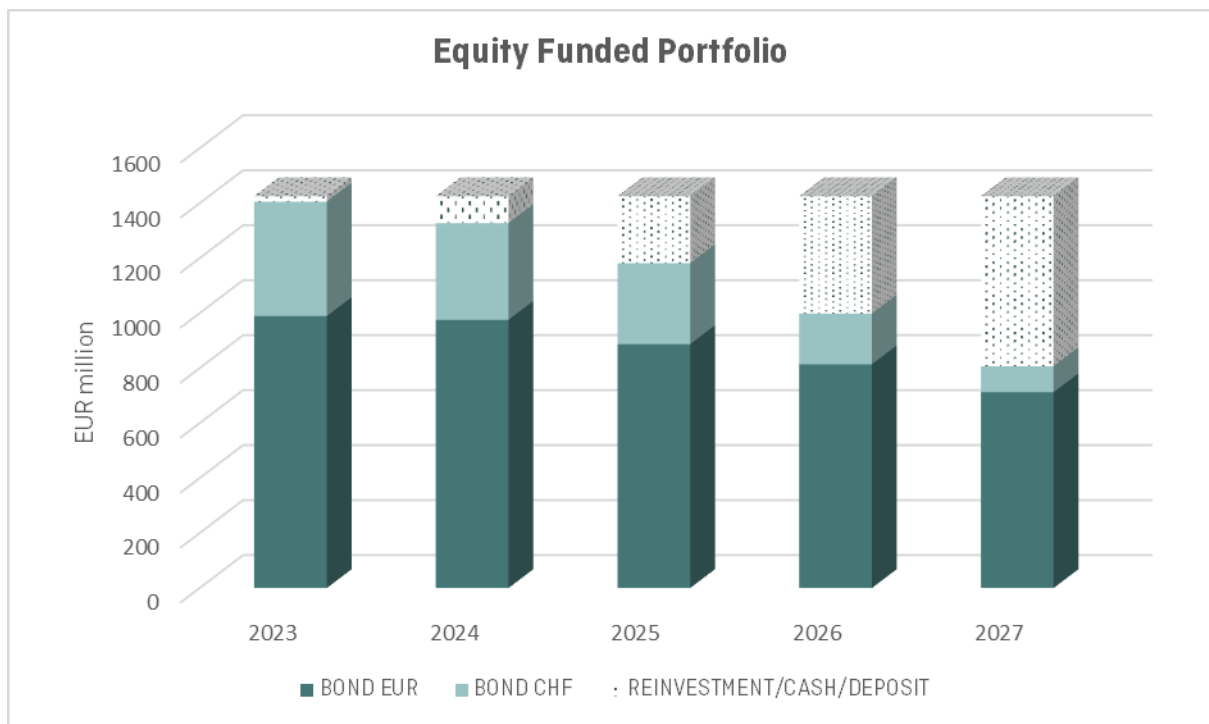
The investments managed by the Treasury & Asset Management unit are allocated into [four dedicated portfolios](#), which are defined based on the purpose and the source of funds. These portfolios are named accordingly.

Following EUROFIMA’s official signing of the United Nations-supported Principles for Responsible Investment (PRI) in January 2020, the Treasury & Asset Management unit applies Environmental, Social and Governance (ESG) integration according to the Six Principles for Responsible Investment in its investment decision process for all portfolios and for 100% of its investments. Since January 2022, EUROFIMA has stated to engage with its investee companies on the sustainability topic following the earlier approved [INVESTEE ENGAGEMENT GUIDELINES](#).

Equity Funded Portfolio

The source of funds in the Equity Funded Portfolio is the organisation’s paid-in shareholder capital, reserves and retained profits. The investment strategy pursues a favourable long-term total return through fixed income investments, while giving particular consideration to capital preservation.

Overview existing Equity Funded Portfolio Investments¹:

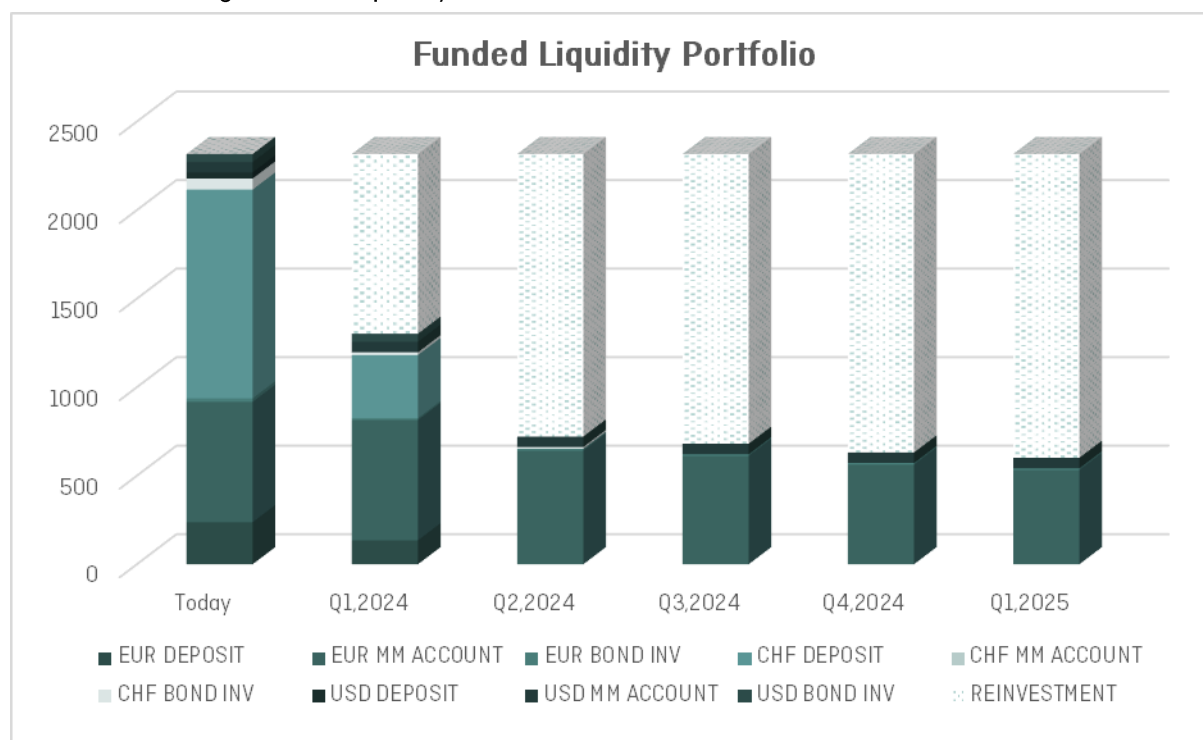


¹ Year figures show year end, data as of December 18, 2023

Funded Liquidity Portfolio

The Funded Liquidity Portfolio is funded by borrowing in the money and capital markets. The investment strategy is to ensure EUROFIMA's liquidity at any given time and to fulfil requirements set by external credit rating agencies or internally.

Overview existing Funded Liquidity Portfolio Investments²:



Margining Portfolio

The Margining Portfolio is comprised of cash received or placed as collateral against the market values of all derivative instruments under Credit Support Annex (CSA) agreements. The investment or funding strategy aims to efficiently manage this collateral. The portfolio is invested in short-term EUR denominated deposits.

Warehousing Portfolio

The funds in the Warehousing Portfolio are raised in the money and capital markets. The investment strategy for this portfolio, which acts as a temporary storage of funds to facilitate Equipment Financing Contracts (EFC), is dependent on the disbursement to railways. The portfolio is invested in short-term EUR denominated deposits.

² Quarter figures show quarter end, data as of December 18, 2023.

Investment Strategy

The overarching investment strategy of the Treasury & Asset Management unit is to achieve the portfolio objectives within a pre-defined risk budget with respect to liquidity, financial and ESG risks according to our [TREASURY POLICY](#). The key metrics relevant for steering the portfolios are shown in the table below. Treasury & Asset Management unit's investment activities follow a three-dimensional approach, which incorporates interest rate risk targets, credit risk targets and ESG score targets. The unit's processes and operations are specified in the PORTFOLIO GUIDELINES.

Strategy for Duration, Risk-weighted Assets and ESG Scoring:

	General Limit	EQF		FL		MARG	
		Target	Current	Target	Current	Target	Current
Modified Duration ³	max 3.0%	5.15%	5.01%	0.25%	0.26%	N/A	0.004 ⁴
Risk-weighted Assets	max EUR 700m ⁵	EUR 275m (Ø18%)	EUR 253.1m (Ø16.3%)	EUR 400m (Ø16%)	EUR 414.6m (Ø16.1%)	N/A	EUR 11m (Ø7.4%)
ESG Scoring	max 25.0	below 22.0	17.5	below 26.0	19.1	below 30.0	20.7

Concerning the end of Q1 2024 targets for EQF, we keep the weighted duration target at 5.15%. The risk-weighted assets figure for the end of Q1 2024 is targeted to stay at around EUR 275m (18%). In FL, we target a weighted duration of 0.25% and risk weighted asset target at EUR 400m (16%) for next quarter. Risk metrics for MARGINING portfolio remain undefined and aim to minimize risk. All targets are set within limits set by the Board of Directors and [TREASURY POLICY](#).

³ Economic Modified Duration has the best alignment with the current wording in the Treasury Policy and it is a better normed interest rate risk metric for multi-currency fixed income portfolios.

⁴ Figures are as of 18 December 2023 when EUROFIMA is net payer of collateral. Investments are composed of T/N deposits only.

⁵ The Board of Directors has approved a risk limit of EUR 736m whereas the limit of EUR 700m acts as an internal limit for EQF, FL and WH combined. MARG Portfolio has a separate credit risk target (RWA) of 12%. The Global limit approved by the Board of Directors is calculated as EUR 736mio + MARG Assets in EUR * 12%.

ESG Integration

Being the UN PRI signatory has played a crucial role in the portfolio management strategy of the Treasury & Asset Management unit since 2020. The UN PRI Principles have shaped the EUROFIMA ESG Integration Framework, as well as all projects related to it. The three pillars of the Framework are now completely incorporated into the daily activities in Funded Liquidity, Equity Funded, and Margining Portfolios.

The objectives related to ESG Integration are usually defined at the beginning of each calendar year. Nevertheless, the reshaping of those objectives might happen over a year, especially due to the responsibilities and commitments taken and made towards the UN PRI. Among the latest defined commitments affecting the workflow for the next twelve to twenty-four months are:

- ESG data quality improvement (i.e., Goal A)
- Revision of the mapping approach taken to fill the data gaps (i.e., Goal B)
- Measurement of the footprint of the assets (i.e., Goal C)
- Evaluation of new ESG instruments (i.e., Goal D)
- Investee Engagement Cycle(s) (i.e., Goal E)
- Publication of the Annual Engagement Report(s) (i.e., Goal F), and
- Active membership and participation in initiatives to improve responsible investment management principles, best practice exchanges, etc. (i.e., Goal G).

In the meantime, the ongoing initiatives which will be directly affecting the workflow in Q1 2024 are:

1. Publication of the Annual Engagement Report 2023 (i.e., Goal F)
2. Revision and Approval of ESG Integration Annual Objectives (i.e., an overarching approach)
3. UN PRI Assessment Report Evaluation (i.e., an overarching approach)
4. ESG Data Providers Evaluation (i.e., Goals A and C)
5. Advanced access to sustainability data (i.e., Goal B)
6. The ESG Investee Engagement Cycle 2024 (i.e., Goal E)

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