

SUMMARY TREASURY STRATEGY Q2 2024

Treasury & Asset Management
Basel, 25 March 2024

Public Information

EUROFIMA
European Company for the Financing
of Railroad Rolling Stock
Meret Oppenheim Platz 1C
4053 Basel

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

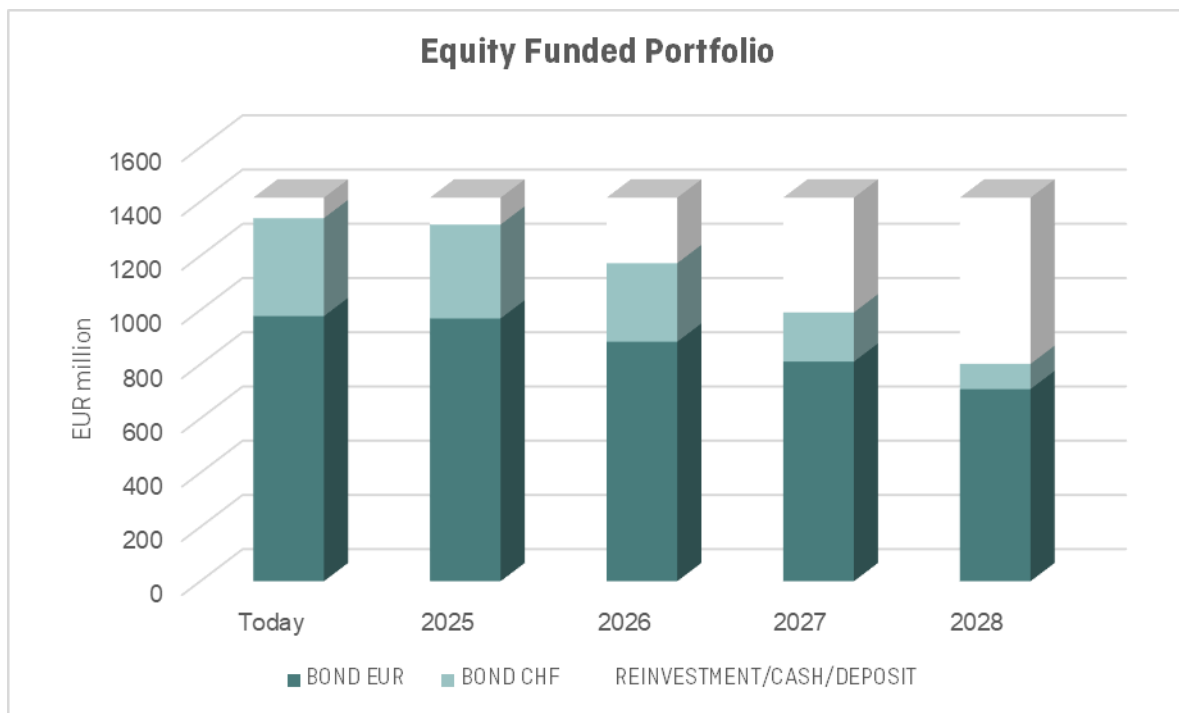
The investments managed by the Treasury & Asset Management unit are allocated into [four dedicated portfolios](#), which are defined based on the purpose and the source of funds. These portfolios are named accordingly.

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:

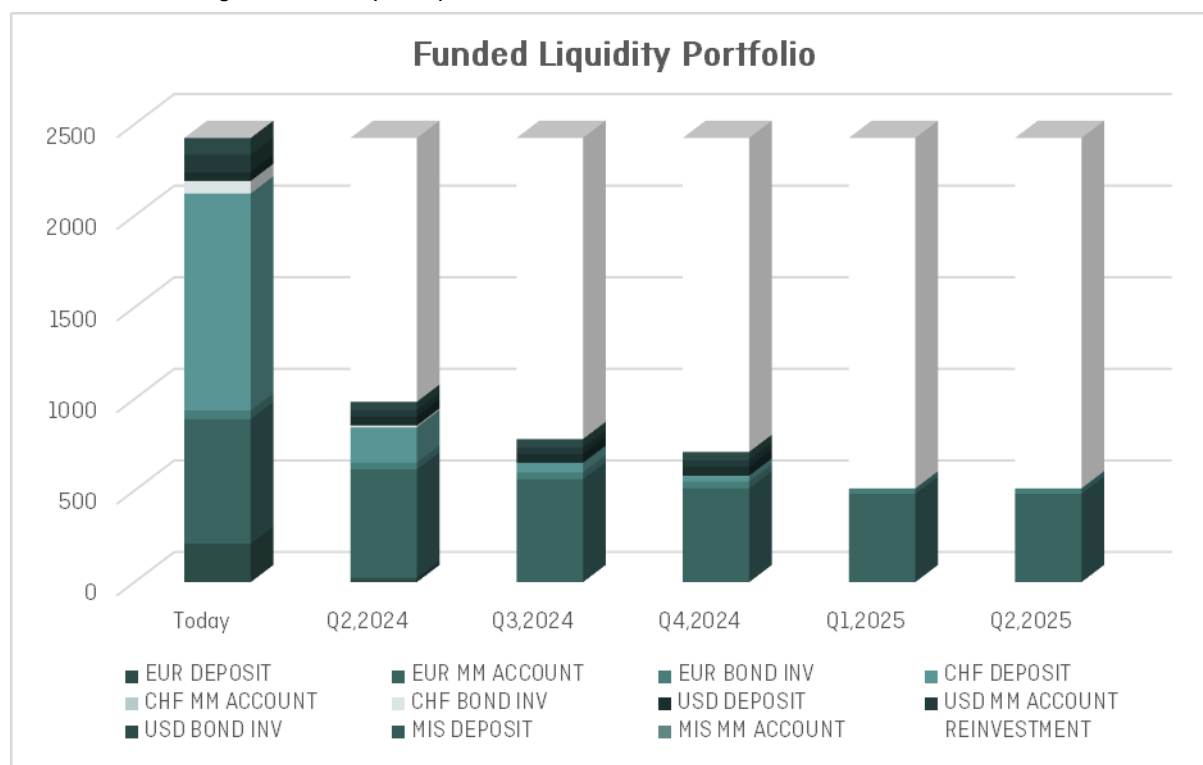


¹ Year figures show year end, data as of March 18, 2024.

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 March 18, 2024.

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	<i>Current</i>	Target	<i>Current</i>	Target	<i>Current</i>
Modified Duration³	max 3.0%	5.00%	<i>4.96%</i>	0.25%	<i>0.21%</i>	N/A	<i>0.004⁴</i>
Risk-weighted Assets	max EUR 700m⁵	EUR 275m (Ø18%)	<i>EUR 255.8m (Ø16.2%)</i>	EUR 400m (Ø16%)	<i>EUR 419.6m (Ø14.3%)</i>	N/A	<i>EUR 11m (Ø7.4%)</i>
ESG Scoring	max 25.0	below 22.0	<i>17.4</i>	below 26.0	<i>20.1</i>	below 30.0	<i>25.2</i>

Concerning the end of Q2 2024 targets for EQF, we keep the duration target below the lower band of the long-term metrics at 5.00%. The risk-weighted assets value for the end of Q2 2024 is targeted to stay at around EUR 275m, which is within the general limits set by the Board of Directors. In FL, we target again a weighted duration of 0.25% for the next quarter, which is at the low end of the range of the long-term target. We will keep our risk weighted assets metric unchanged in FL compared to the previous 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 metric for multi-currency portfolios as well as considers the interest rate risk of investments classified as amortized costs.

⁴ Figures are as of 18 March 2024 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 are⁶:

- 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).

⁶ The goals highlighted in italics are the ones in focus for Q2 2024

Contact details

Aurelia Gerber, CFA

Head of Treasury & Asset Management

Telephone: +41 61 2873 361

E-mail: aurelia.gerber@eurofima.org

Kristina Micic

Portfolio Manager & Lead Sustainability Integration

Telephone: +41 61 287 33 34

E-mail: kristina.micic@eurofima.org

Eugen Dulaj, CFA, FRM

Senior Portfolio Manager & ESG Analyst

Telephone: +41 61 287 33 12

E-mail: eugen.dulaj@eurofima.org

Jan Scheidegger

Junior Portfolio Manager & ESG Analyst

Telephone: +41 61 287 33 52

E-mail: jan.scheidegger@eurofima.org



Follow us on [LinkedIn](#)