

SUMMARY TREASURY STRATEGY Q3 2023

Treasury & Asset Management
Basel, 27 June 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

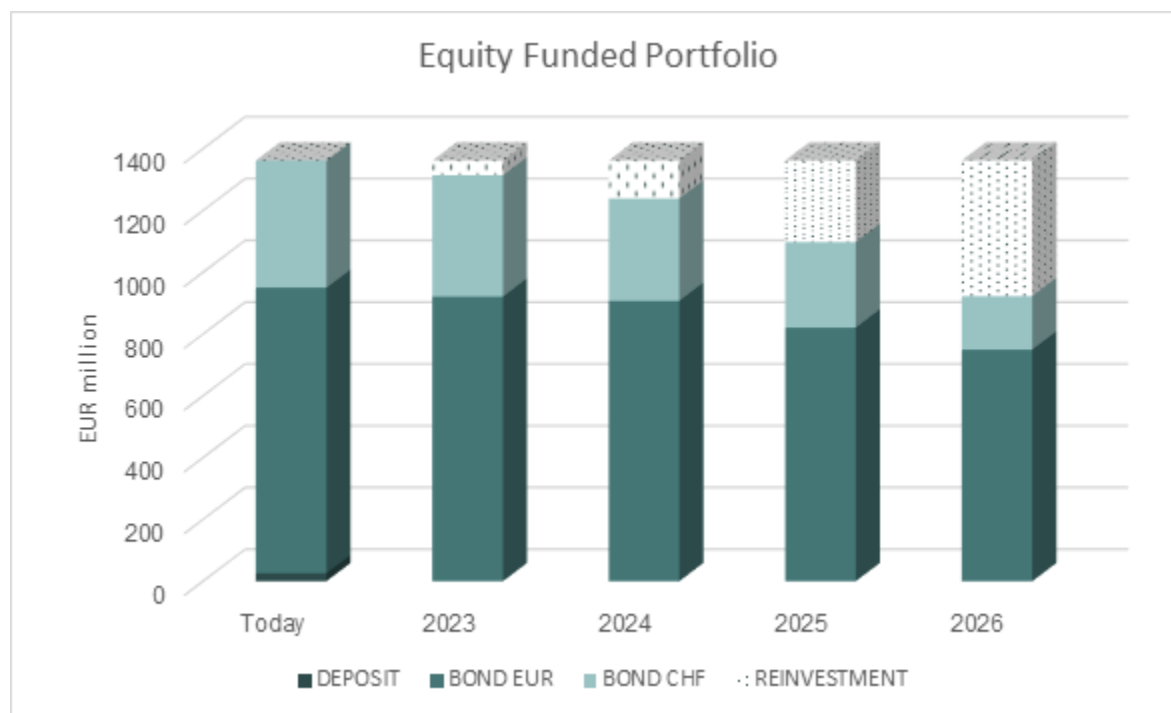
The investments managed by the Treasury & Asset Management unit are allocated into [four dedicated portfolios](#), which are defined based on the purpose and the source of funds. These portfolios are named accordingly.

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:

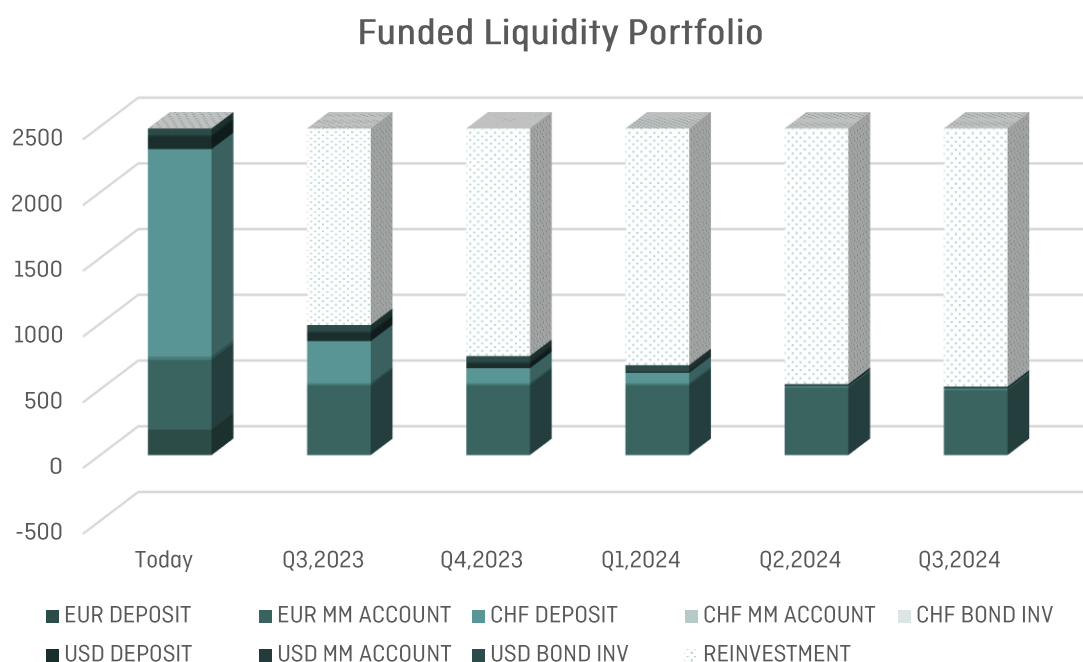


¹ Year figures show year end, data as of June 23rd, 2023

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 June 23rd, 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%	5.13%	0.25%	0.20%	N/A	0.005 ⁴
Risk-weighted Assets	max EUR 700m ⁵	EUR 275m (Ø18%)	EUR 259.1m (Ø16.8%)	EUR 400m (Ø16%)	EUR 358.9m (Ø13.9%)	N/A	EUR 11m (Ø8.8%)
ESG Scoring	max 25.0	below 22.0	17.8	below 26.0	19.5	below 30.0	27.9

Concerning the end of Q3 2023 targets for EQF, we keep the duration target below the lower band of the long-term metrics at 5.15%. This is primarily due to a smaller reinvestment possibility anticipated throughout the quarter. The risk-weighted assets value for the end of Q3 2023 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% which is at the low end of the range of the long-term target. We will keep our risk-weighted asset targets unchanged in FL. Due to net payer situation in MARG, risk metrics remain undefined for Q3 2023.

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 at amortized costs.

⁴ Figures are as of 23 June 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 (RWA target 0%) combined.

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