

# **SUMMARY TREASURY STRATEGY Q2 2021**

**Treasury & Asset Management**  
Basel, 31 March 2021

*Public Information*

**EUROFIMA**  
European Company for the Financing  
of Railroad Rolling Stock  
Rittergasse 20  
4051 Basel

## Objective

The TREASURY STRATEGY is a document produced by the Treasury & Asset Management unit 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. The internal version of the TREASURY STRATEGY 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 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 on our investment activities and give an update on the progress regarding responsible and sustainable investment management.

## Portfolio Overview

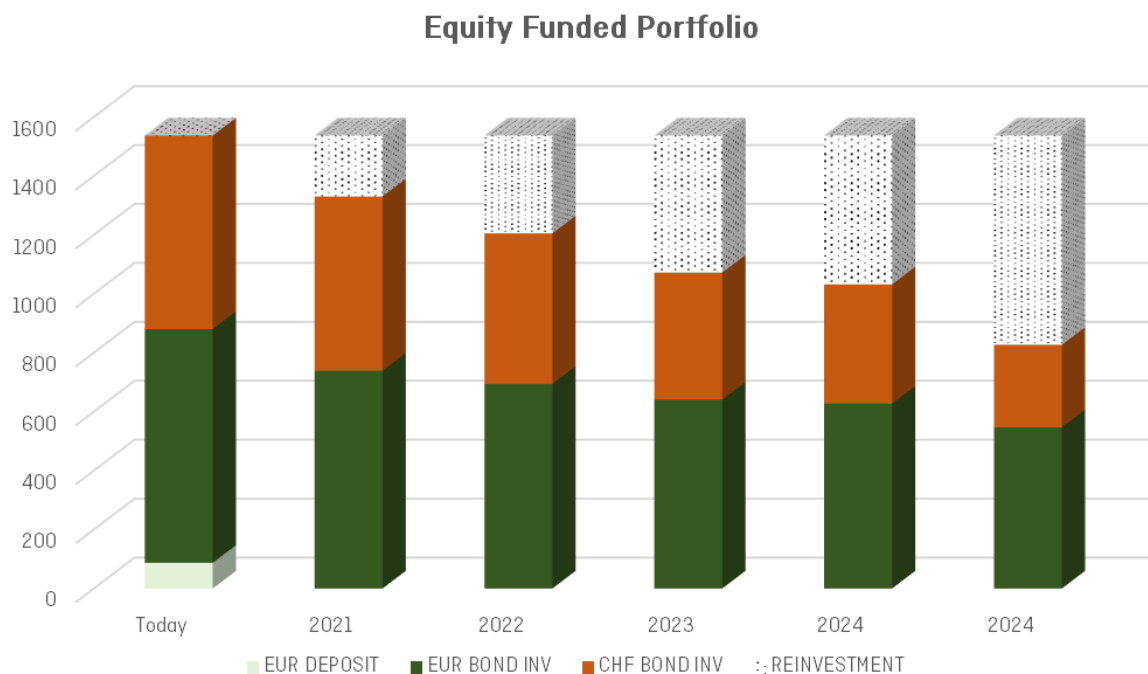
The investments managed by the Treasury & Asset Management unit are allocated into four dedicated portfolios, which are defined based on the purpose and the source of funds. These portfolios are named accordingly.

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.

### Equity Funded Portfolio

The source of funds in the Equity Funded Portfolio is the organisation's paid-in shareholder capital 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 Investments<sup>1</sup>:

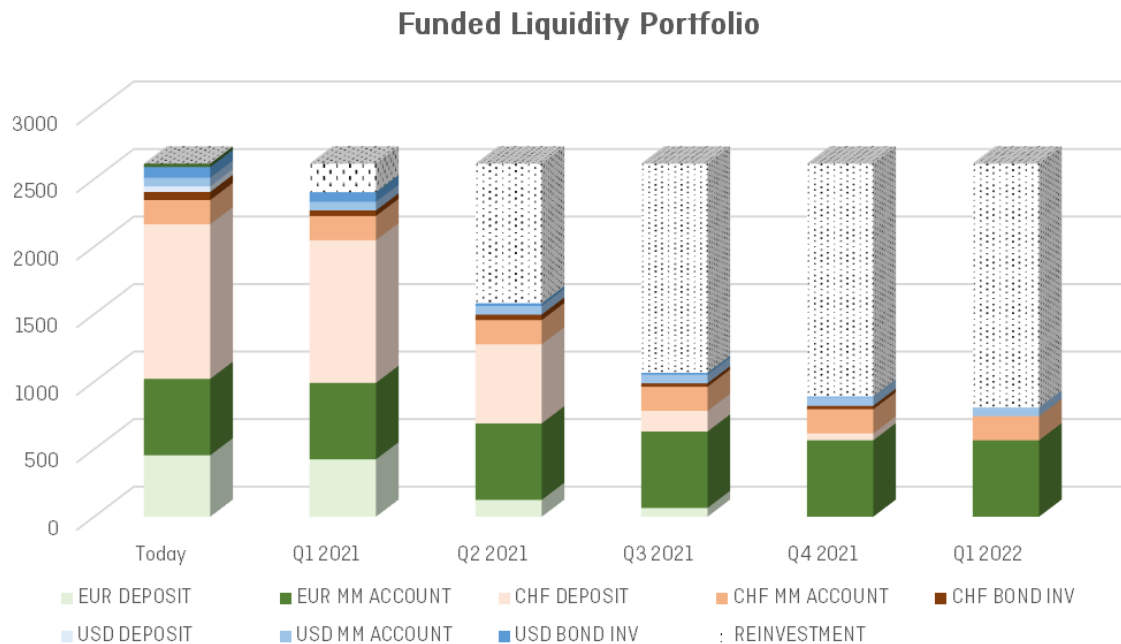


<sup>1</sup> Year figures show year end, data as of 21 March 2021

## Funded Liquidity Portfolio

The Funded Liquidity Portfolio is funded 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 Investments<sup>2</sup>:



## 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.

<sup>2</sup> Quarter figures show quarter end, data as of 9 Dec 2020

## Investment Strategy

The 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 in order to steer the portfolio management are shown in the table below.

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

	EQF		FL		MARG	
	Target <sup>3</sup>	Current	Target	Current	Target	Current
<b>Modified Duration</b>	5.80%	5.55%	0.35%	0.24%	0.20%	0.11%
<b>Risk-weighted Assets</b>	EUR 260m (Ø16.9%)	EUR 245m (Ø16.0%)	EUR 400m (Ø15.5%)	EUR 405m (Ø15.7%)	Ø 12.0%	Ø 8.4%
<b>ESG Scoring<sup>4</sup></b>	below 20.0	16.4	below 20.0	18.3	below 20.0	17.0

We introduced our three-dimensional risk metric approach including ESG scoring as a third dimension beginning of 2021. More information about the approach is found on the next page. Concerning the targets for the Equity Funded Portfolio, we will continue to steadily increase the modified duration and the risk-weighted assets in Q2 in line with the long-term investment strategy and within general limits set by the Board of Directors. In the Funded Liquidity Portfolio, we reduce the duration target slightly. For the Margining Portfolio, we keep all targets the same. In terms of ESG scoring, we target a scoring below 20.0 which translates into a Sustainability risk rating of "low risk"<sup>5</sup> for all three portfolios.

<sup>3</sup> Target for End of Q2 2021

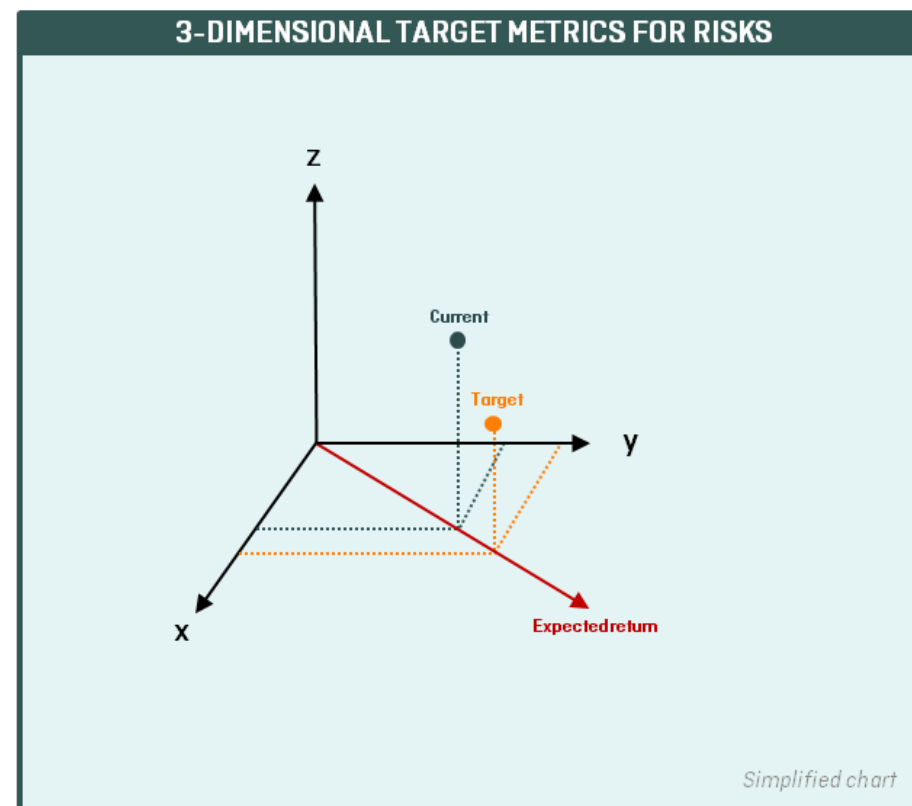
<sup>4</sup> Figures represent weighted-average Sustainability scores, most of non-rated investments are mapped to the respective government

<sup>5</sup> Sustainability scores: 0-10 negligible, 10-20 low, 20-30 medium, 30-40 high, 40+ severe

## Target Metrics for Interest Rate, Credit and ESG Risks

Fixed Income Portfolio		
Metrics	Target	Current
Modified duration <i>(x-Axis)</i>	4.3%	4.0%
Risk weighted assets <i>(y-Axis)</i>	EUR 220m (Ø AA-)	EUR 197m (Ø AA)
ESG score <i>(z-Axis)</i>	20.0	22.0

*Illustrative figures only*



With the integration of ESG considerations in our investment decision process, we introduce an ESG risk score as an additional factor to the two existing risk metrics – interest rate and credit risk. This new approach allows EUROFIMA to better apply ESG considerations in the portfolio management on a holistic basis. For all the ESG non-rated investments, we use a mapping approach in order to obtain a rating for all our holdings.

## Contact details

### **Robert Eigenheer**

*Head of Treasury & Asset Management*

Telephone: +41 61 287 3347

E-mail: robert.eigenheer@eurofima.org

### **Daniel Mika**

*Senior Treasury Manager*

Telephone: +41 61 287 3312

E-mail: daniel.mika@eurofima.org

### **Cédric Willi**

*Senior Asset Manager*

Telephone: +41 61 287 3343

E-mail: cedric.willi@eurofima.org