

SUMMARY TREASURY STRATEGY Q1 2023

Treasury & Asset Management
Basel, 3 January 2023

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

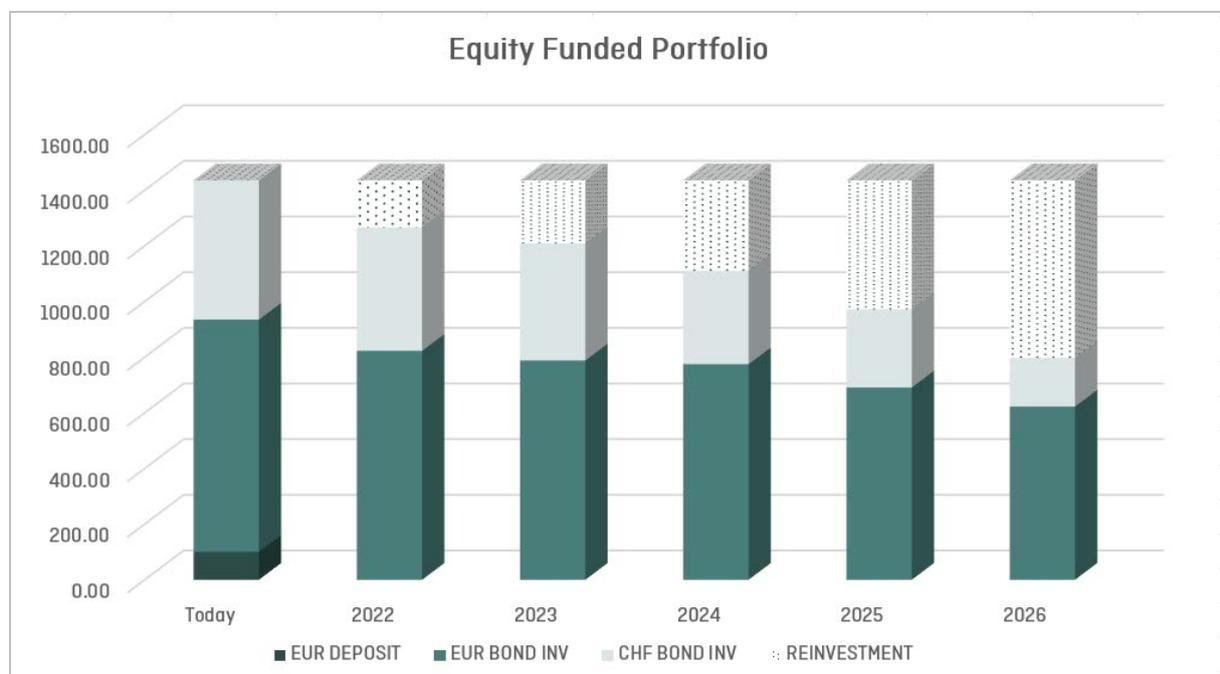
The investments managed by the Treasury & Asset Management unit are allocated into [four dedicated portfolios](#), which are defined based on the purpose and the source of funds. These portfolios are named accordingly.

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:

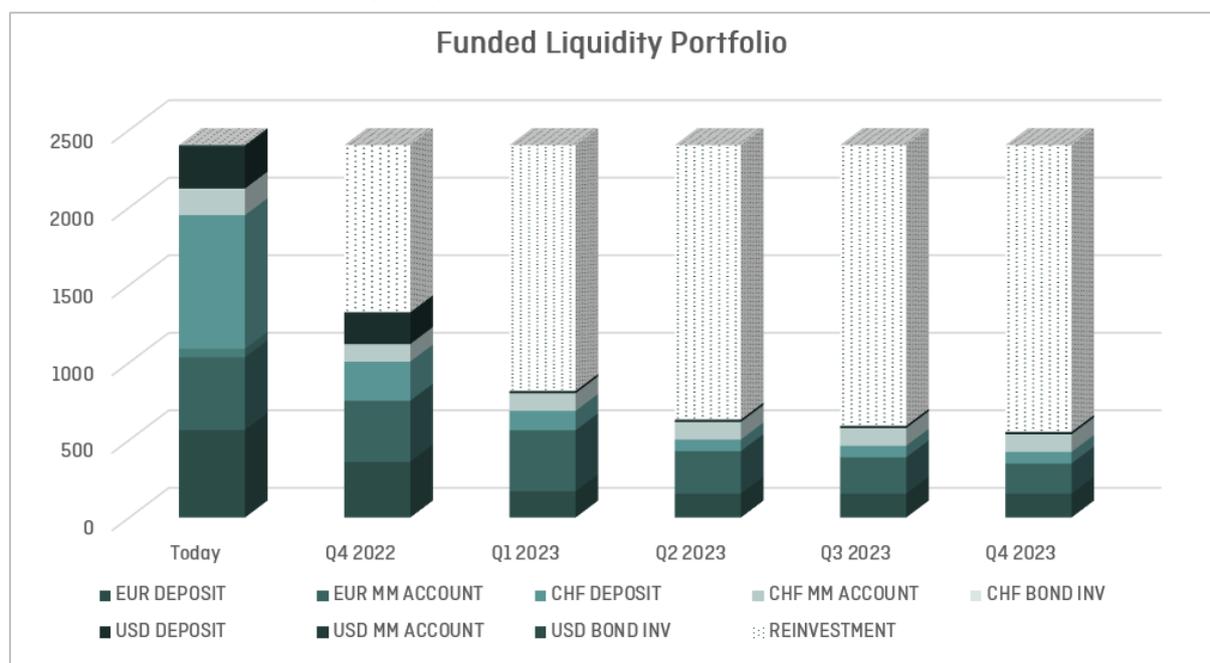


¹ Year figures show year end, data as of December 13th, 2022

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 13th, 2022

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 2.50%	5.30%	<i>5.14%</i>	0.25%	<i>0.25%</i>	N/A	<i>0.005</i>
Risk-weighted Assets	max EUR 700m⁴	EUR 275m (Ø18%)	<i>EUR 265.4m (Ø17.5%)</i>	EUR 400m (Ø16%)	<i>EUR 387.1m (Ø14.5%)</i>	N/A	<i>(Ø7.1%)</i>
ESG Scoring	max 23.0	below 20.0	<i>18.8</i>	below 20.0	<i>21.8</i>	N/A	<i>38.3</i>

Concerning the end of Q1 2023 targets for EQF, we keep the duration target below the lower band of the long-term metrics at 5.3%. The risk-weighted assets value for end of Q1 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 a weighted duration of 0.25% which is below 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 Q1 2023. In terms of the ESG scoring, we keep our ESG targets at below 20.0 for EQF and FL Portfolios.

³ 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 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.

Contact details

Kristina Micic

Portfolio Manager & ESG Analyst

Telephone: +41 61 287 33 34

E-mail: kristina.micic@eurofima.org

Eugen Dulaj, CFA

Portfolio Manager & ESG Analyst

Telephone: +41 61 287 33 12

E-mail: eugen.dulaj@eurofima.org

Ivana Mateska, PhD

Junior Portfolio Manager & ESG Analyst

Telephone: +41 61 287 33 14

E-mail: ivana.mateska@eurofima.org

Jan Scheidegger

Junior Portfolio Manager & ESG Analyst

Telephone: +41 61 287 33 52

E-mail: jan.scheidegger@eurofima.org

Harry Müller

Chief Executive Officer

Telephone: +41 61 287 33 18

E-mail: harry.mueller@eurofima.org



Follow us on [LinkedIn](#)