

SUMMARY TREASURY STRATEGY Q4 2021

Treasury & Asset Management
Basel, 30 September 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 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 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

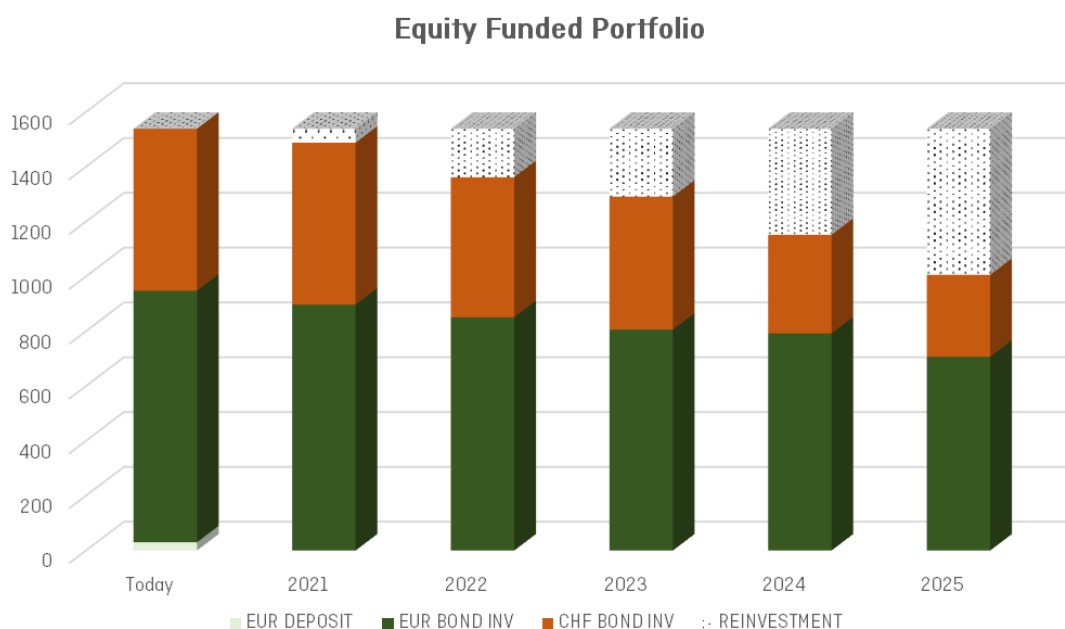
The investments managed by the Treasury & Asset Management unit are allocated into four dedicated portfolios, which are defined based on the purpose and the source of funds. These portfolios are named accordingly, see below for the respective details.

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.

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:

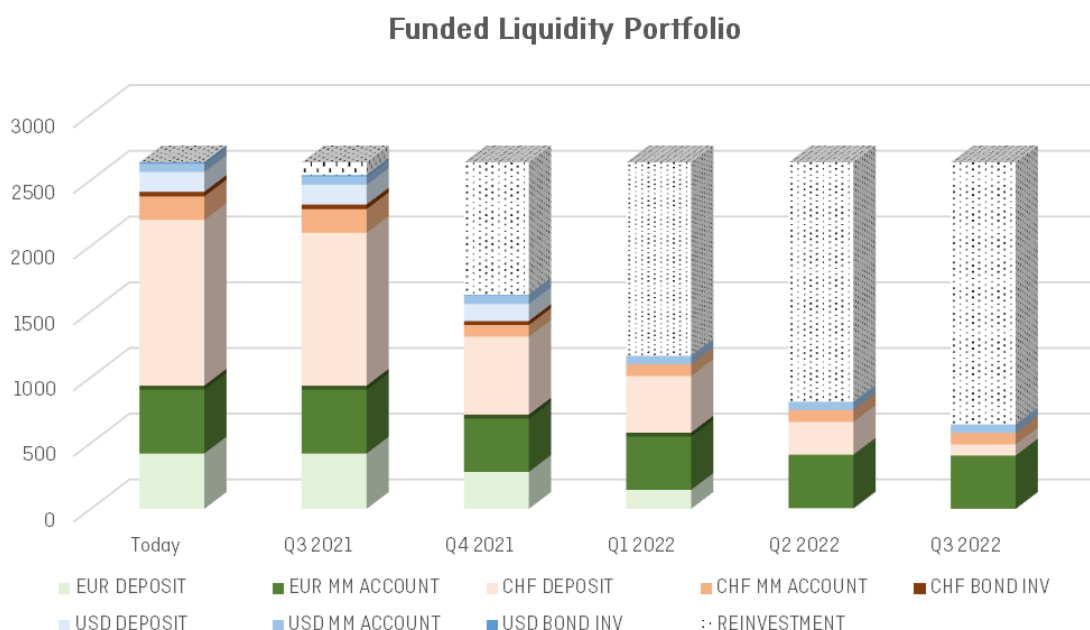


¹ Year figures show year end, data as of 20 September 2021

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 20 September 2021

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 portfolio management are shown in the table below.

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

	EQF		FL		MARG	
	Target ³	Current	Target ³	Current	Target ³	Current
Modified Duration	5.90%	5.89%	0.35%	0.32%	0.20%	0.11%
Risk-weighted Assets	EUR 275m (Ø17%)	EUR 260m (Ø17%)	EUR 400m (Ø16%)	EUR 398m (Ø16%)	Ø 12.0%	Ø 9.6%
ESG Scoring⁴	below 20.0	16.3	below 20.0	16.1	below 20.0	18.6

We introduced our three-dimensional risk metric approach, including the ESG scoring, as the third dimension at the beginning of 2021. More information about the approach can be found in the Appendix.

Concerning the targets for Equity Funded Portfolio (EQF), we will cease the approach of steadily increasing the modified duration, as we have reached our long-term targets, and would prefer to tactically stay at 5.9% for the next quarter. However, in order to meet the long-term investment goal, the risk-weighted assets are aimed to be increased while staying within the general limits set by the Board of Directors. In Funded Liquidity Portfolio (FL), we will keep our duration and risk-weighted asset targets. Also, for the Margining Portfolio (MARG), we will keep all targets as they were for the last strategy. In terms of the ESG scoring, we target a weighted scoring below 20.0 which translates into the Sustainalytics risk rating of “low risk”⁵ for all three portfolios.

³ Target for end of Q4 2021

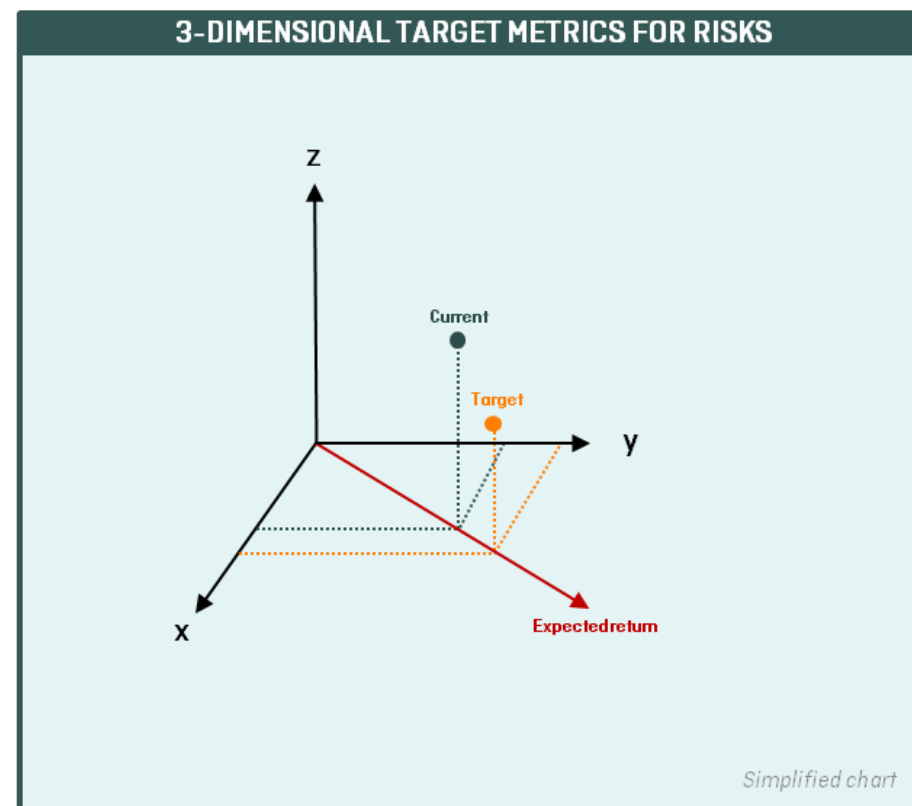
⁴ Figures represent weighted-average Sustainalytics scores, most of non-rated investments are mapped to the respective government

⁵ Sustainalytics 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

Ivana Mateska, PhD

Junior Portfolio Manager & ESG Analyst

Telephone: +41 61 287 3314

E-mail: ivana.mateska@eurofima.org

Kristina Micic

Portfolio Manager & ESG Analyst

Telephone: +41 61 287 3334

E-mail: kristina.micic@eurofima.org

Daniel Mika

Senior Portfolio Manager & ESG Analyst

Telephone: +41 61 287 3312

E-mail: daniel.mika@eurofima.org



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