

Term investment portfolio overview

Term investment portfolio

The mission of Oikocredit is to use its lendable funds (share capital, general reserve and loans granted to Oikocredit) for development purposes. To realise this, Oikocredit provides loans and equity investments to partners and at the same time maintains a minimum amount in liquidities to mitigate financial risks, especially liquidity risks. This is reflected in the following two major investment portfolios which make up Oikocredit's total assets:

1. Development financing: direct partner financing in developing countries.
2. Term investments: the portion of our total assets which are invested in liquid, conservatively invested funds used to redeem share capital and to provide for Oikocredit's operating funds.

The purpose of the term investment portfolio is to provide a balance of risks, liquidity and investment income with Oikocredit's mission. The term investment portfolio is part of the liquidities which are held for expected and unexpected payments (in particular disbursements and redemptions). The bonds must have a minimum environmental, social and governance (ESG) score to conform to our mandate and must be highly liquid.

In 2017 Oikocredit held an internal ethical investment conference, where members and experts were invited to discuss and further develop Oikocredit's term investment policy. Members' recommendations were included in the new policy, which we are now in the process of implementing, with more explicit exclusionary and positive criteria than before. In this report we provide information about our term investment portfolio. It is made up of a number of funds, but the majority is invested in the Buy and Maintain Environmental, Social Governance (ESG) Credit Portfolio.

Financial Criteria and Risk Management

Risks

Oikocredit, like any other financial institution, has to balance its risks. There are sometimes considerable risks

related to our investments in partner financing. These involve financial risks such as credit risk, interest rate risk, currency risk and liquidity risk. To balance these risks, Oikocredit invests the term investment portion of its total assets in easy-to-liquidate investment-grade securities.

Liquidity

Oikocredit requires sufficient liquidity in order to be in a position to repay investors following share capital redemption requests. Moreover, Oikocredit needs to maintain sufficient liquidity to disburse funds to newly approved partners should levels of lendable funds not suffice.

Income

Another requirement of the term investment portfolio is to contribute a reasonable risk-adjusted return to Oikocredit's net earnings.

General information about the term investment portfolio

Since 2016 AXA Investment Managers Paris (AXA) has acted as external fund manager. The name of the bond portfolio managed by AXA is 'Buy and Maintain Environmental Social Governance (ESG) Credit Portfolio'. The bond portfolio aims to achieve better diversification, less credit risk and a better ESG performance than the benchmark BofA Merrill Lynch Euro Corporate index with similar average credit rating and maturity characteristics. Most of the term investments in bonds have been rated 'investment grade' by either Moody's, S&P and/or Fitch, with at least 30% in the AAA range (Aaa-A3) and up to a maximum of 65% in the BBB range. Moreover, the investment policy stipulates that individual issuers are maximised at 5% of total portfolio for quasi and foreign governments, 2.5% of total portfolio for AAA/AA range, 1.75% of total portfolio for A range and 1.5% of total portfolio for BBB and lower range. The manager of the bond portfolio constantly monitors the performance of the bonds and takes appropriate action when necessary. Despite this, a debtor can face sudden downgrades and/or price corrections. Such credit risk must always be taken into account when investing. A maximum of 10% of the total amount available for term investments can be invested in shares.

<i>The total term investment portfolio consists of:</i>	2017	2016
	€ ,000	€ ,000
Buy and Maintain ESG Credit Portfolio	135,131	108,276
Portfolio managed by Alternative Bank Schweiz, Switzerland	9,950	-
TCX, The Currency Exchange Fund N.V., the Netherlands	7,071	7,071
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Triple Jump, the Netherlands)	(1,708)	(1,708)
TCX, The Currency Exchange Fund N.V., the Netherlands (held for Grameen Crédit Agricole Microfinance Foundation, Luxembourg)	(1,816)	(1,816)
GLS Gemeinschaftsbank, Germany	500	300
Banca Popolare Etica, Italy	100	-
Ekobanken, Sweden	10	11
Other	613	673
Total term investments	149,851	112,807

<i>List of bonds issued through Buy and Maintain ESG Credit Portfolio</i>	31/12/17	31/12/16
	€ ,000	€ ,000
Legrand SA, France	1,695	1,043
Prologis LP, USA	1,689	1,141
Ecolab Inc, USA	1,685	1,123
Suez, France	1,675	1,725
DNB Bank ASA, Norway	1,674	1,046
Cooperatieve Rabobank UA, the Netherlands	1,654	-
Credit Agricole SA, France	1,652	1,251
Verizon Communications Inc, USA	1,646	961
Unibail-Rodamco SE, France	1,638	1,673
Allianz Finance II BV, the Netherlands	1,635	1,194
Toronto-Dominion Bank, Canada	1,634	1,641
KBC Group NV, Belgium	1,628	1,045
Gecina SA, France	1,624	-
Coca-Cola HBC Finance BV, the Netherlands	1,610	1,056
Aviva PLC, UK	1,600	786
Eaton Capital Unlimited Co, Ireland	1,579	-
Banco Santander SA, Spain	1,573	-
Enagas Financiaciones SAU, Spain	1,556	1,034
Coca-Cola European Partners PLC, UK	1,536	1,018
British Telecommunications PLC, UK	1,535	1,550
ING Bank NV, the Netherlands (green bond)	1,531	1,537
SSE PLC, UK (green bond)	1,487	-
Stockland Trust, Australia (green bond)	1,455	1,131
ABN AMRO Bank NV, the Netherlands	1,444	656
Red Electrica Financiaciones SAU, Spain	1,421	1,451
Akzo Nobel NV, the Netherlands	1,354	1,404
BPCE SA, France	1,351	1,257
CaixaBank SA, Spain	1,342	1,380
Bank Nederlandse Gemeenten NV, the Netherlands	1,333	-
Orange SA, France	1,318	-
Commonwealth Bank of Australia, Australia	1,307	1,455
National Australia Bank Ltd, Australia (green bond)	1,297	-
WPP Finance 2010, UK	1,290	965
Tyco Electronics Group SA, Luxembourg	1,289	1,023
Cloverie PLC for Zurich Insurance Co Ltd, Ireland	1,278	1,277
Compass Group PLC, UK	1,276	1,313
Banco Bilbao Vizcaya Argentaria SA, Spain	1,267	1,438
Sydney Airport Finance Co Pty Ltd, Australia	1,241	1,232
Stagecoach Group PLC, UK	1,235	1,031
AstraZeneca PLC, UK	1,229	927
Danske Bank A/S, Denmark	1,227	1,234
innogy Finance BV, the Netherlands (green bond)	1,204	-
Westpac Banking Corp, Australia (green bond)	1,188	-
Valeo SA, France	1,187	1,409
Societe Generale SA, France	1,178	1,458
Amcor Finance USA Inc, USA	1,161	930
Linde Finance BV, the Netherlands	1,156	1,189
Nordea Bank AB, Sweden	1,150	1,173
Gas Natural Fenosa Finance BV	1,133	1,160
Atlas Copco AB, Sweden	1,125	-
UniCredit SpA, Italy	1,122	1,117
Intesa Sanpaolo SpA, Italy (green bond)	1,118	-
Anglian Water Services Financing PLC, UK (green bond)	1,117	-
Telstra Corp Ltd, Australia	1,111	1,466
Danone SA, France	1,106	1,236
Amgen Inc, USA	1,090	1,085
Assicurazioni Generali SpA, Italy	1,086	1,103

	31/12/17	31/12/16
	€ ,000	€ ,000
Thermo Fisher Scientific Inc, USA	1,079	1,179
ELM BV for RELX Finance BV, the Netherlands	1,072	-
CRH Finland Services OYJ, Finland	1,072	1,094
AusNet Services Holdings Pty Ltd, Australia	1,069	1,086
Klepierre SA, France	1,065	1,061
Wolters Kluwer NV, the Netherlands	1,064	1,466
Pearson Funding Five PLC, UK	1,063	1,071
Autostrade per l'Italia SpA, Italy	1,059	1,049
Hammerson PLC, UK	1,056	1,026
ABB Finance BV, the Netherlands	1,053	1,079
Arkema SA, France	1,052	-
Praxair Inc, USA	1,049	1,043
ICADE, France	1,048	1,023
NN Group NV, the Netherlands	1,034	1,027
Swedbank AB, Sweden	1,032	1,046
Terna Rete Elettrica Nazionale SpA, Italy	1,032	1,131
Continental AG, Germany	1,031	1,060
Bristol-Myers Squibb Co, USA	1,017	1,020
Santander UK Group Holdings PLC, UK	1,017	224
International Business Machines Corp, USA	1,014	-
Iberdrola International BV, the Netherlands (green bond)	1,010	-
Carrefour SA, France	1,001	995
Daimler Finance North America LLC, USA	987	1,113
Sumitomo Mitsui Financial Group Inc, Japan (green bond)	984	-
Enel Finance International NV, the Netherlands	978	1,015
Cie de SA, Franceint-Gobain, France	973	-
Wesfarmers Ltd, Australia	893	1,556
KeyBank NA/Cleveland OH, USA	858	978
Apple Inc, USA (green bond)	853	964
EMD Finance LLC, USA	847	936
AT&T Inc, USA	836	841
FCE Bank PLC, UK	833	-
Deutsche Telekom International Finance BV, the Netherlands	821	845
Nestle Holdings Inc, USA	821	-
BNP Paribas SA, France (green bond)	809	-
Telefonica Emisiones SAU, Spain	791	1,406
Transport for London, UK (green bond)	715	-
Regie Autonome des Transports Parisiens, France (green bond)	705	-
AbbVie Inc, USA	688	944
RELX Finance BV, the Netherlands	613	-
ICADE, France (green bond)	606	-
Lloyds Bank PLC, UK	599	-
Swedbank AB, Sweden	599	-
Enel Finance International NV, the Netherlands (green bond)	594	-
Schneider Electric SE, France	589	1,287
Snam SpA, Italy	585	691
China Development Bank, China (green bond)	552	-
Bank Nederlandse Gemeenten NV, the Netherlands	547	492
Intesa Sanpaolo SpA, Italy	533	1,271
Atlas Copco AB, Sweden	527	-
ABB Finance BV, the Netherlands	506	337
Nationwide Building Society, UK	505	977
Skandinaviska Enskilda Banken AB, Sweden (green bond)	503	-
Nationwide Building Society, UK	502	-
Orsted A/S, Denmark (green bond)	498	-
Vodafone Group PLC, UK	491	-
Kaiser Foundation Hospitals, USA (green bond)	467	-

	31/12/17	31/12/16
	€ ,000	€ ,000
Banco Bilbao Vizcaya Argentaria SA, Spain	463	-
Telefonica Emisiones SAU, Spain	419	-
Nationwide Building Society, UK	417	-
Skandinaviska Enskilda Banken AB, Sweden	416	428
Wolters Kluwer NV, the Netherlands	413	-
Danone SA, France	407	-
CaixaBank SA, Spain	404	-
Iberdrola Finanzas SA, Spain (green bond)	400	1,005
Veolia Environnement SA, France	399	-
SNCF Reseau EPIC, France (green bond)	387	384
Prologis LP, USA	344	-
Region of Ile de France, France	316	-
Carlsberg Breweries A/S, Denmark	316	1,048
Nordea Bank AB, Sweden (green bond)	316	-
Linde AG, Germany	311	354
Klepierre SA, France	310	-
BNP Paribas SA, France	308	369
Societe Generale SA, France (green bond)	299	-
BPCE SA, France	280	-
Valeo SA, France	212	-
Valeo SA, France	199	-
NN Group NV, the Netherlands	108	-
Terna Rete Elettrica Nazionale SpA, Italy	108	-
Danone SA, France	100	-
ING Groep NV, the Netherlands	100	-
Allianz Finance II BV, the Netherlands	99	-
Thermo Fisher Scientific Inc, USA	98	-
Atlas Copco, Sweden	-	1,798
Air Liquide, France	-	1,685
Australia & New Zealand Banking Group Ltd., Australia	-	1,506
BASF SE, Germany	-	1,431
Rabobank Nederland, the Netherlands	-	1,166
Engie, France	-	1,141
Elsevier Finance S.A., the Netherlands	-	1,092
Compagnie de Saint-Gobain S.A., France	-	1,025
RCI Banque SA, France	-	1,006
Go-Ahead Group, UK	-	980
HCP Inc., USA	-	720
Santander Issuances, Spain	-	522
Electricité de France, France	-	482
Intel Corporation, USA	-	338
National Grid Gas PLC, UK	-	170
Hedge contracts	-	1,972
Grand total	133,864	108,276