



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.

* Note that shares in TCX are considered illiquid

<i>The total term investment portfolio consists of:</i>	2018	2017
	€ ,000	€ ,000
Buy and Maintain ESG Credit Portfolio	134,309	135,131
Portfolio managed by Alternative Bank Schweiz, Switzerland	9,931	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	500
Banca Popolare Etica, Italy	100	100
Ekobanken, Sweden	10	10
Other	618	613
Total term investments	149,015	149,851

<i>List of bonds issued through Buy and Maintain ESG Credit Portfolio</i>	31/12/18	31/12/17
	€ ,000	€ ,000
KBC Group NV, Belgium	1,913	1,628
Bank Nederlandse Gemeenten NV, the Netherlands	1,889	1,880
BPCE SA, France	1,845	1,631
Legrand SA, France	1,701	1,695
Allianz Finance II BV, the Netherlands	1,684	1,734
Danske Bank A/S, Denmark	1,657	1,227
Wolters Kluwer NV, the Netherlands	1,649	1,477
Prologis LP, USA	1,647	2,033
Eaton Capital Unlimited Co, Ireland	1,645	1,579
Banco Bilbao Vizcaya Argentaria SA, Spain	1,641	1,730
Toronto-Dominion Bank, Canada	1,624	1,634
Atlas Copco AB, Sweden	1,621	1,652
Suez, France	1,614	1,675
Swedbank AB, Sweden	1,613	1,631
Verizon Communications Inc, USA	1,611	1,646
Unibail-Rodamco SE, France	1,605	1,638
Cooperatieve Rabobank UA, the Netherlands	1,589	1,654
Gecina SA, France	1,588	1,624
DNB Bank ASA, Norway	1,587	1,674
Aviva PLC, UK	1,568	1,600
ABB Finance BV, the Netherlands	1,533	1,559
ING Bank NV, the Netherlands (green bond)	1,520	1,531
British Telecommunications PLC, UK	1,517	1,535
Valeo SA, France	1,491	1,598
Stockland Trust, Australia (green bond)	1,437	1,455
SSE PLC, UK (green bond)	1,429	1,487
INTL Flavor and Fragrances INV, USA	1,407	-
Red Electrica Financiaciones SAU, Spain	1,381	1,421
CRH Finland Services OYJ, Finland	1,358	1,072
ABN AMRO Bank NV, the Netherlands	1,354	1,444
Arkema SA, France	1,347	1,052
Praxair Inc, USA	1,347	1,049
Danone SA, France	1,342	1,613
NN Group NV, the Netherlands	1,329	1,142
Orange SA, France	1,312	1,318
Telefonica Emisiones SAU, Spain	1,304	1,210
National Australia Bank Ltd, Australia (green bond)	1,292	1,297
Commonwealth Bank of Australia, Australia	1,286	1,307
Tyco Electronics Group SA, Luxembourg	1,280	1,289
AusNet Services Holdings Pty Ltd, Australia	1,254	1,069
Santander UK Group Holdings PLC, UK	1,254	1,017
Compass Group PLC, UK	1,238	1,276
Sydney Airport Finance Co Pty Ltd, Australia	1,223	1,241
ESSITY AB, Sweden	1,220	-
AstraZeneca PLC, UK	1,217	1,229
General Mills Inc, USA	1,215	-
Cloverie PLC for Zurich Insurance Co Ltd, Ireland	1,205	1,278
Westpac Banking Corp, Australia (green bond)	1,180	1,188
Cie de SA, Franceint-Gobain, France	1,179	973
innogy Finance BV, the Netherlands (green bond)	1,171	1,204
Amgen Inc, USA	1,153	1,090
Stagecoach Group PLC, UK	1,149	1,235
Snam SpA, Italy	1,142	585
Veolia Environnement SA, France	1,137	399
Societe Generale SA, France	1,121	1,178
Linde Finance BV, the Netherlands	1,114	1,156
Terna Rete Elettrica Nazionale SpA, Italy	1,113	1,140

	31/12/18	31/12/17
	€ ,000	€ ,000
Nordea Bank AB, Sweden	1,105	1,150
Orsted A/S, Denmark (green bond)	1,104	498
Telstra Corp Ltd, Australia	1,091	1,111
Anglian Water Services Financing PLC, UK (green bond)	1,080	1,117
UniCredit SpA, Italy	1,073	1,122
Intesa Sanpaolo SpA, Italy (green bond)	1,072	1,118
Coca-Cola HBC Finance BV, the Netherlands	1,055	1,610
Assicurazioni Generali SpA, Italy	1,054	1,086
Elsevier Finance S.A., the Netherlands	1,048	-
Santander Issuances, Spain	1,047	-
Ecolab Inc, USA	1,046	1,685
Credit Agricole SA, France	1,037	1,652
Klepierre SA, France	1,035	1,375
Enagas Financiaciones SAU, Spain	1,034	1,556
Motability operations Group, UK	1,026	-
Hammerson PLC, UK	1,013	1,056
AT&T Inc, USA	1,010	836
Takeda Pharmaceutical, Japan	1,000	-
International Business Machines Corp, USA	999	1,014
Iberdrola International BV, the Netherlands (green bond)	998	1,010
Sumitomo Mitsui Financial Group Inc, Japan (green bond)	993	984
ICADE, France	991	1,048
CaixaBank SA, Spain	985	1,746
Carrefour SA, France	975	1,001
Autostrade per l'Italia SpA, Italy	935	1,059
Bertelsmann SE & CO, Germany	903	-
Enel Finance International NV, the Netherlands	899	978
Australia & New Zealand Banking Group Ltd., Australia	883	-
Wesfarmers Ltd, Australia	876	893
Vodafone Group PLC, UK	875	491
Apple Inc, USA (green bond)	873	853
Thermo Fisher Scientific Inc, USA	850	1,177
Amcor Finance USA Inc, USA	837	1,161
Bristol-Myers Squibb Co, USA	815	1,017
Nestle Holdings Inc, USA	807	821
BNP Paribas SA, France (green bond)	806	809
FCE Bank PLC, UK	804	833
LA Banque Postale , France	782	-
BNP Paribas SA, France	747	308
Regie Autonome des Transports Parisiens, France (green bond)	710	705
Transport for London, UK (green bond)	687	715
Gas Natural Fenosa Finance BV	680	1,133
EMD Finance LLC, USA	671	847
Schneider Electric SE, France	606	589
RELX Finance BV, the Netherlands	600	613
Enel Finance International NV, the Netherlands (green bond)	578	594
Lloyds Bank PLC, UK	578	599
ICADE, France (green bond)	570	606
China Development Bank, China (green bond)	556	552
Intesa Sanpaolo SpA, Italy	513	533
Skandinaviska Enskilda Banken AB, Sweden (green bond)	501	503
French Republic Government, France	499	-
Nationwide Building Society, UK	495	1,424
Kaiser Foundation Hospitals, USA (green bond)	471	467
Skandinaviska Enskilda Banken AB, Sweden	406	416
Iberdrola Finanzas SA, Spain (green bond)	393	400
Region of Ile de France, France	317	316

	31/12/18	31/12/17
	€ ,000	€ ,000
Nordea Bank AB, Sweden (green bond)	315	316
Carlsberg Breweries A/S, Denmark	308	316
Credit Agricole SA, UK	300	-
Compagnie de Saint-Gobain S.A., France	299	-
Societe Generale SA, France (green bond)	299	299
WPP Finance 2010, UK	216	1,290
Enel Finance International NV, the Netherlands	176	-
LA Poste SA, France	100	-
ING Groep NV, the Netherlands	97	100
Banco Santander SA, Spain	-	1,573
Coca-Cola European Partners PLC, UK	-	1,536
Akzo Nobel NV, the Netherlands	-	1,354
ELM BV for RELX Finance BV, the Netherlands	-	1,072
Pearson Funding Five PLC, UK	-	1,063
Continental AG, Germany	-	1,031
Daimler Finance North America LLC, USA	-	987
KeyBank NA/Cleveland OH, USA	-	858
Deutsche Telekom International Finance BV, the Netherlands	-	821
AbbVie Inc, USA	-	688
SNCF Reseau EPIC, France (green bond)	-	387
Linde AG, Germany	-	311
Grand total	130,347	133,864

About the cover picture:

Corporación Fortaleza del Valle, Ecuador

Cocoa farmer Guadeloupe Intriago Mera used her recent loan from Oikocredit partner Corporación Fortaleza del Valle, a cocoa growers' association, to install an irrigation system for her plants.

Photo: Opmeer Reports