



# PENSION RESERVE FUND

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Monthly Executive Report as of September, 2018

## I. Market Value as of September, 2018

The market value of the Pension Reserve Fund (PRF) totaled US\$10,103.91 million at the end of the month. It changed due to: (i) net contribution of US\$246.35 million, (ii) accrued interests of US\$17.38 million, (iii) capital loss on investments of US\$76.81 million and (iv) administrative, custody and other costs of US\$0.56 million.

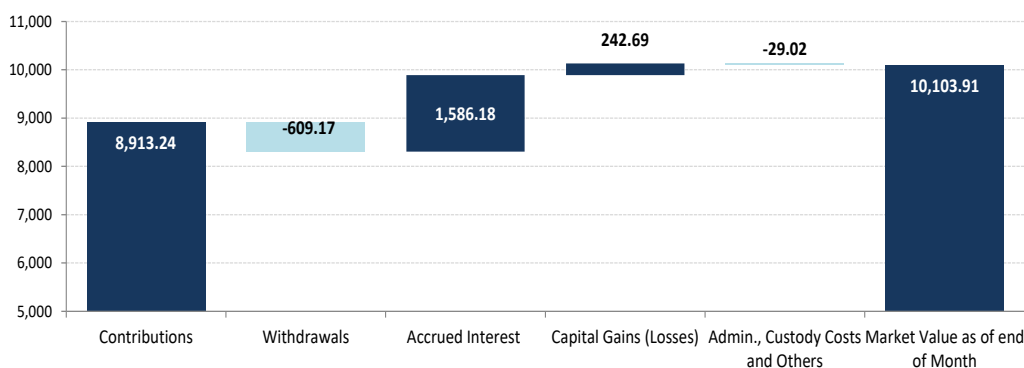
Changes in Market Value (US\$ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018			Since Inception		
												Q1	Q2	July		August	September
Starting Market Value <sup>(1)</sup>	604.63	1,466.35	2,506.76	3,420.83	3,836.70	4,405.60	5,883.25	7,335.11	7,943.70	8,112.21	8,862.07	10,010.95	10,123.76	9,870.59	9,908.75	9,917.54	0.00
Contributions	736.35	909.07	836.71	337.30	443.32	1,197.37	1,376.75	498.93	463.88	462.29	505.15	0.00	0.00	0.00	0.00	541.58	8,913.24
Withdrawals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-313.95	0.00	0.00	0.00	0.00	-295.23	-609.17
Accrued Interest	45.62	71.25	71.86	70.23	75.20	130.65	174.06	190.18	194.29	197.38	207.71	53.37	52.56	16.20	18.22	17.38	1,586.18
Capital Gains (Losses)	79.79	60.42	5.85	8.74	50.81	150.87	-94.60	-75.90	-485.19	94.45	754.81	60.57	-304.41	22.24	-9.04	-76.81	242.69
Admin., Custody and Other Costs <sup>(2)</sup>	-0.04	-0.33	-0.35	-0.41	-0.43	-1.23	-4.35	-4.63	-4.47	-4.24	-4.85	-1.13	-1.32	-0.28	-0.40	-0.56	-29.02
<b>Final Market Value</b>	<b>1,466.35</b>	<b>2,506.76</b>	<b>3,420.83</b>	<b>3,836.70</b>	<b>4,405.60</b>	<b>5,883.25</b>	<b>7,335.11</b>	<b>7,943.70</b>	<b>8,112.21</b>	<b>8,862.07</b>	<b>10,010.95</b>	<b>10,123.76</b>	<b>9,870.59</b>	<b>9,908.75</b>	<b>9,917.54</b>	<b>10,103.91</b>	<b>10,103.91</b>

(1) The PRF was established with an initial contribution of US\$604.5 million on December 28, 2006.

(2) It includes costs associated with consultants, accounting adjustment and others.

### Changes in Market Value Since Inception

(US\$ million)



By Asset Class (US\$ million)	2007	2008	2009	2010	2011	2012 <sup>(1)</sup>	2013	2014	2015	2016	2017	2018					
												Q1	Q2	July	August	September	
Money Market	439.54	736.05	1,018.55	1,142.37	1,311.07	-	-	-	-	-	-	-	-	-	-	-	-
Sovereign and Government Related Bonds <sup>(2)</sup>	974.69	1,686.93	2,280.42	2,559.90	2,940.06	2,703.67	3,431.55	3,766.56	3,975.33	4,099.88	4,695.10	4,817.59	4,660.97	4,641.84	4,642.46	4,562.60	
Inflation Indexed Sov. Bonds	52.13	83.79	121.86	134.42	154.47	1,029.31	1,233.25	1,356.21	1,344.03	1,529.29	1,729.17	1,751.72	1,693.58	1,689.60	1,681.06	1,668.92	
Corporate Bonds	-	-	-	-	-	1,198.96	1,453.66	1,609.61	1,628.69	1,788.70	1,993.53	1,974.72	1,926.32	1,939.28	1,942.73	1,936.37	
Equity	-	-	-	-	-	951.31	1,216.65	1,211.32	1,164.15	1,444.20	1,593.15	1,579.72	1,589.72	1,638.03	1,651.29	1,936.01	
<b>Market Value</b>	<b>1,466.35</b>	<b>2,506.76</b>	<b>3,420.83</b>	<b>3,836.70</b>	<b>4,405.60</b>	<b>5,883.25</b>	<b>7,335.11</b>	<b>7,943.70</b>	<b>8,112.21</b>	<b>8,862.07</b>	<b>10,010.95</b>	<b>10,123.76</b>	<b>9,870.59</b>	<b>9,908.75</b>	<b>9,917.54</b>	<b>10,103.91</b>	

(1) The new investment policy was implemented between January and mid-March. This policy considers the following asset classes: Sovereign and Government Related Bonds, Inflation Indexed Sovereign Bonds, Corporate Bonds, and Equity.

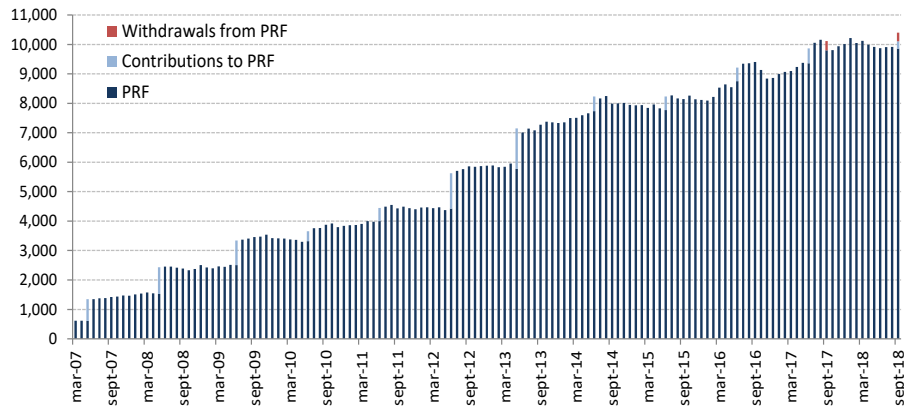
(2) Investment in Government Related Bonds started in January 2012.

By Risk Exposure <sup>(1)</sup> (US\$ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018				
												Q1	Q2	July	August	September
Sovereign and Government Related	1,026.81	2,102.55	2,689.79	3,024.63	3,652.58	3,713.54	3,643.15	5,122.40	5,295.10	5,624.09	6,422.43	6,567.16	6,355.12	6,331.29	6,323.71	6,231.60
Banks <sup>(2)</sup>	439.54	404.21	731.04	812.06	753.02	37.11	16.74	13.90	39.97	22.16	24.96	19.57	11.84	18.77	12.09	27.54
Corporate Bonds	-	-	-	-	-	1,186.74	1,177.51	1,600.48	1,616.86	1,777.89	1,978.33	1,964.48	1,920.91	1,925.70	1,934.57	1,931.97
Equity	-	-	-	-	-	945.87	1,007.52	1,206.92	1,160.27	1,437.93	1,585.22	1,572.56	1,582.72	1,632.99	1,647.17	1,912.80
<b>Market Value</b>	<b>1,466.35</b>	<b>2,506.76</b>	<b>3,420.83</b>	<b>3,836.70</b>	<b>4,405.60</b>	<b>5,883.25</b>	<b>5,844.92</b>	<b>7,943.70</b>	<b>8,112.21</b>	<b>8,862.07</b>	<b>10,010.95</b>	<b>10,123.76</b>	<b>9,870.59</b>	<b>9,908.75</b>	<b>9,917.54</b>	<b>10,103.91</b>

(1) Only for the purposes of this table the term deposits and cash equivalents associated to each asset class are reported as Banks.

(2) Since 2012, it represents cash, cash equivalents and unliquidated transactions.

**Historical Market Value**  
(US\$ million)



## II. Return as of September, 2018

The monthly return in US dollars was -0.60%. This is decomposed in the return of the Sovereign and Government Related Bonds, -1.04%, Inflation Indexed Sovereign Bonds, -0.72%, Corporate Bonds, -0.33% and Equities 0.45%. The returns in US dollars experienced by the sovereign and government related bonds were explained by both the negative effect of the depreciation of the currencies in which the instruments are invested and by the negative return in local currency. The negative return of the Inflation linked sovereign bonds is mainly explained by the negative return in local currency. The negative return on the corporate bonds portfolio was explained by the negative result in local currency. The positive return on the equity portfolio was explained by the positive result in local currency, which was slightly affected by the depreciation of the currencies in which the instruments are invested. Finally, the monthly return of the fund in pesos was -2.64%. The year to date return was -1.52% in US dollars and 5.89% in pesos, while the annualized return since inception was 3.48% in USD and 5.33% in pesos.

Returns <sup>(a)</sup>	Month	Last 3 Months	YTD	Last 12 months	Last 3 years (annualized)	Since Inception <sup>(b)</sup>
Sovereign and Government Related Bonds	-1.04%	-1.42%	-2.25%	-1.17%	1.96%	-0.02%
Inflation Indexed Sov. Bonds	-0.72%	-1.46%	-3.15%	-0.53%	2.23%	2.03%
Corporate Bonds	-0.33%	0.52%	-2.87%	-1.46%	3.07%	2.73%
Equities	0.45%	4.34%	4.11%	10.10%	13.75%	10.88%
<b>Total Portfolio</b>	<b>-0.60%</b>	<b>-0.12%</b>	<b>-1.52%</b>	<b>0.61%</b>	<b>4.05%</b>	<b>3.48%</b>
Exchange rate (CLP)	-2.06%	2.09%	7.52%	3.87%	-2.09%	1.79%
Return in CLP <sup>(c)</sup>	<b>-2.64%</b>	<b>1.97%</b>	<b>5.89%</b>	<b>4.51%</b>	<b>1.88%</b>	<b>5.33%</b>

(a) Time Weighted Return (it is calculated as the growth rate of the funds that were invested throughout the period).

(b) For the four asset classes, the since inception return is measured starting in December 31, 2011. However, for the total fund this is calculated from March 31, 2007, when the performance of Central Bank of Chile started to be measured.

(c) Return in CLP corresponds to the sum of the percentage change of the exchange rate CLP/USD and the return in USD.

Returns for periods of more than one year are compound annualized rates while those for less than a year correspond to the change as seen in the stated period. With a view to meeting high standards of transparency and providing a better assessment of the gains or losses on investments, the Ministry of Finance discloses the fund's return in different time horizons and currencies. With respect to the horizon, it is important to note that, in keeping with the medium- and longterm investment policy, the return assessment should focus on that period, disregarding fluctuations that may occur monthly or quarterly. With regard to returns expressed in different currencies, the return in US dollars allows for an assessment which is more in line with the investment policy given that the fund's resources are wholly invested abroad and in foreign currency. The return in Chilean pesos is also disclosed. This return reflects changes in the peso-dollar exchange rate and, therefore, may experience greater fluctuations. Finally, as with any investment, returns obtained in the past do not guarantee future positive results.

### III. Portfolio Composition and Duration as of September, 2018

Portfolio by Asset Class	US\$ million	% of Total
Sovereign and Government Related Bonds	4,562.60	45.2%
Inflation Indexed Sov. Bonds	1,668.92	16.5%
Corporate Bonds	1,936.37	19.2%
Equity	1,936.01	19.2%
<b>Total</b>	<b>10,103.91</b>	<b>100.0%</b>

Duration	Years
Sovereign and Government Related Bonds	7.4
Inflation Indexed Sov. Bonds	11.7
Corporate Bonds	6.4
<b>Total</b>	<b>8.0</b>

#### Portfolio by Currency as percentage of Asset Class

	USD	EUR	JPY	GBP	CAD	AUD	CHF	Others	Total
Sovereign and Government Related Bonds	30.0%	27.8%	25.7%	5.8%	3.0%	1.7%	0.5%	5.4%	100.0%
Inflation Indexed Sov. Bonds	40.8%	23.0%	0.4%	29.5%	2.5%	1.6%	0.0%	2.2%	100.0%
Corporate Bonds	64.6%	23.7%	1.5%	5.5%	3.8%	0.4%	0.5%	0.0%	100.0%
Equity	54.6%	11.5%	8.3%	6.2%	3.4%	2.1%	2.8%	11.0%	100.0%
<b>Total</b>	<b>43.0%</b>	<b>23.1%</b>	<b>13.6%</b>	<b>9.8%</b>	<b>3.1%</b>	<b>1.5%</b>	<b>0.9%</b>	<b>4.9%</b>	<b>100.0%</b>

#### Fixed Income Portfolio by Credit Rating

	Sovereign and Government Related Bonds	Inflation Indexed Sov. Bonds	Corporate Bonds	Total Fixed Income
AAA	15.3%	10.1%	0.1%	25.5%
AA+	0.6%	0.2%	0.4%	1.1%
AA	6.0%	8.7%	0.3%	15.1%
AA-	3.5%	0.0%	1.4%	4.8%
A+	6.8%	0.1%	2.5%	9.4%
A	13.0%	0.0%	3.6%	16.6%
A-	3.6%	0.4%	4.4%	8.5%
BBB+	2.6%	0.0%	4.8%	7.4%
BBB	3.1%	0.9%	3.2%	7.2%
BBB-	1.3%	0.0%	2.7%	4.0%
Others <sup>(1)</sup>	0.0%	0.0%	0.4%	0.4%
<b>Total</b>	<b>55.9%</b>	<b>20.4%</b>	<b>23.7%</b>	<b>100.0%</b>

(1) Includes cash, cash equivalents and unliquidated transactions.

Portfolio by Country (US\$ million)	Sovereign and Government Related Bonds	Inflation Indexed Sov. Bonds	Corporate Bonds	Equity	Total
Australia	52.06	26.19	28.52	39.72	146.49
Belgium	58.95	0.00	7.54	6.29	72.78
Canada	183.52	41.13	104.41	58.84	387.91
Denmark	12.79	7.68	5.43	9.95	35.85
France	246.35	220.93	119.08	60.70	647.06
Germany	111.55	52.65	33.83	55.99	254.01
Hong Kong	24.48	0.00	3.98	29.40	57.86
Ireland	13.08	0.00	17.56	26.19	56.83
Italy	246.09	74.91	21.40	11.55	353.94
Japan	1,211.31	7.09	24.16	147.72	1,390.28
Mexico	157.92	0.00	17.25	6.76	181.93
Netherlands	56.33	0.00	131.70	36.10	224.13
S.Korea	201.77	0.00	0.75	31.53	234.06
Spain	205.42	35.50	31.91	17.44	290.27
Switzerland	7.20	0.00	12.48	56.97	76.64
United Kingdom	197.29	492.91	176.44	92.99	959.63
United States	977.94	680.07	1,058.63	1,080.45	3,797.09
Others <sup>(1)</sup>	598.54	29.88	141.32	167.40	937.13
<b>Total</b>	<b>4,562.60</b>	<b>1,668.92</b>	<b>1,936.37</b>	<b>1,936.01</b>	<b>10,103.91</b>

(1) Includes cash and cash equivalents