



# PENSION RESERVE FUND

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Monthly Executive Report as of October, 2018

## I. Market Value as of October, 2018

The market value of the Pension Reserve Fund (PRF) totaled US\$9,861.35 million at the end of the month. It changed due to: (i) accrued interests of US\$15.51 million, (ii) capital loss on investments of US\$257.99 million and (iii) administrative, custody and other costs of US\$0.08 million.

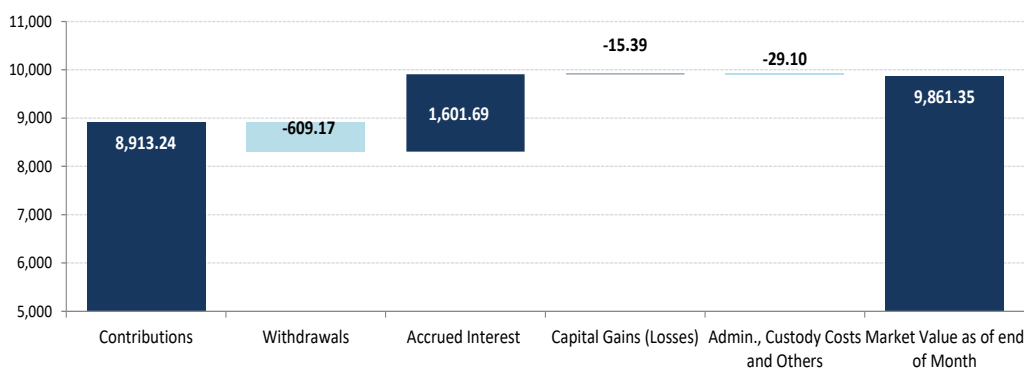
Changes in Market Value (US\$ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018			Since Inception	
												Q1	Q2	Q3		October
Starting Market Value <sup>(1)</sup>	604.63	1,466.35	2,506.76	3,420.83	3,836.70	4,405.60	5,883.25	7,335.11	7,943.70	8,112.21	8,862.07	10,010.95	10,123.76	9,870.59	10,103.91	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	541.58	0.00	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	-295.23	0.00	-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	51.80	15.51	1,601.69
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	-63.60	-257.99	-15.39
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	-1.24	-0.08	-29.10
<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>10,103.91</b>	<b>9,861.35</b>	<b>9,861.35</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			October	
												Q1	Q2	Q3		
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	4,562.60	4,516.54	
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	1,668.92	1,649.71	
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	1,936.37	1,903.65	
Equity	-	-	-	-	-	951.31	1,216.65	1,211.32	1,164.15	1,444.20	1,593.15	1,579.72	1,589.72	1,936.01	1,791.44	
<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>10,103.91</b>	<b>9,861.35</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.

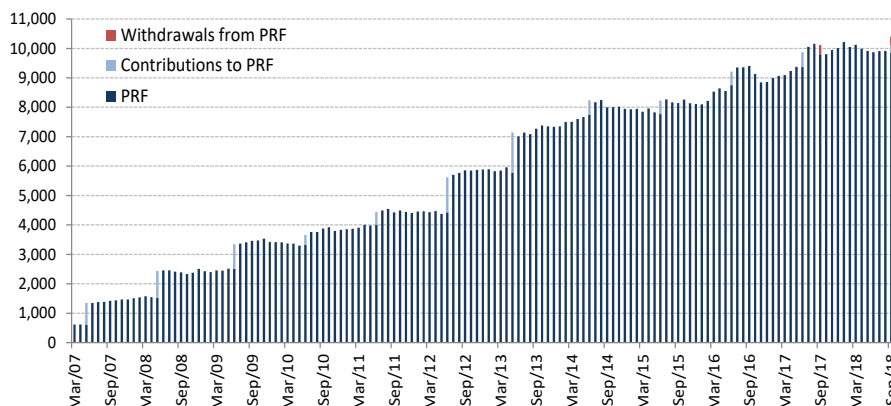
(2) Investment in Government Related Bonds started in January 2012.

By Risk Exposure <sup>(1)</sup> (US\$ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018			October
												Q1	Q2	Q3	
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	6,231.60	6,166.04
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	27.54	17.57
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	1,931.97	1,893.19
Equity	-	-	-	-	-	945.87	1,007.52	1,206.92	1,160.27	1,437.93	1,585.22	1,572.56	1,582.72	1,912.80	1,784.55
<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>10,103.91</b>	<b>9,861.35</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 October, 2018

The monthly return in US dollars was -2.40%. This is decomposed in the return of the Sovereign and Government Related Bonds, -1.01%, Inflation Indexed Sovereign Bonds, -1.15%, Corporate Bonds, -1.69% and Equities -7.47%. The returns in US dollars experienced by the Sovereign and Government Related Bonds were mainly explained by the negative effect of the depreciation of the currencies in which the instruments are invested, principally the euro. The negative return of the Inflation Indexed Sovereign Bonds is explained by the negative effect of the currencies in which the instruments are invested, in spite of the positive return in local currency. The negative return on the Corporate Bonds portfolio was explained by the negative result in local currency and by the depreciation of the currencies in which the instruments are invested. The negative return on the Equity portfolio was explained mainly by the result in local currency. Finally, the monthly return of the fund in pesos was 2.29%. The year to date return was -3.88% in US dollars and 8.32% in pesos, while the annualized return since inception was 3.24% in USD and 5.50% 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	-1.01%	-2.02%	-3.23%	-1.62%	1.52%	-0.17%
Inflation Indexed Sov. Bonds	-1.15%	-2.36%	-4.26%	-1.59%	1.59%	1.83%
Corporate Bonds	-1.69%	-1.84%	-4.51%	-3.22%	2.26%	2.44%
Equities	-7.47%	-6.30%	-3.66%	-0.20%	8.09%	9.49%
<b>Total Portfolio</b>	<b>-2.40%</b>	<b>-2.90%</b>	<b>-3.88%</b>	<b>-1.86%</b>	<b>2.71%</b>	<b>3.24%</b>
Exchange rate (CLP)	4.81%	8.53%	12.69%	8.93%	0.14%	2.19%
Return in CLP <sup>(c)</sup>	<b>2.29%</b>	<b>5.39%</b>	<b>8.32%</b>	<b>6.90%</b>	<b>2.86%</b>	<b>5.50%</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 October, 2018

Portfolio by Asset Class	US\$ million	% of Total
Sovereign and Government Related Bonds	4,516.54	45.8%
Inflation Indexed Sov. Bonds	1,649.71	16.7%
Corporate Bonds	1,903.65	19.3%
Equity	1,791.44	18.2%
<b>Total</b>	<b>9,861.35</b>	<b>100.0%</b>

Duration	Years
Sovereign and Government Related Bonds	7.2
Inflation Indexed Sov. Bonds	12.0
Corporate Bonds	6.3
<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	30.7%	27.3%	25.3%	6.4%	3.2%	1.6%	0.5%	5.0%	100.0%
Inflation Indexed Sov. Bonds	40.6%	22.6%	0.4%	30.1%	2.4%	1.6%	0.0%	2.2%	100.0%
Corporate Bonds	64.8%	23.7%	1.5%	5.2%	3.8%	0.4%	0.5%	0.0%	100.0%
Equity	59.9%	9.8%	7.6%	5.4%	3.0%	2.1%	2.6%	9.6%	100.0%
<b>Total</b>	<b>44.1%</b>	<b>22.7%</b>	<b>13.4%</b>	<b>10.0%</b>	<b>3.1%</b>	<b>1.5%</b>	<b>0.8%</b>	<b>4.4%</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	15.9%	10.1%	0.1%	26.0%
AA+	0.5%	0.2%	0.4%	1.1%
AA	6.1%	8.8%	0.4%	15.4%
AA-	3.5%	0.0%	1.4%	4.8%
A+	6.1%	0.1%	2.3%	8.5%
A	13.4%	0.0%	3.1%	16.6%
A-	4.1%	0.4%	4.1%	8.7%
BBB+	2.2%	0.0%	5.1%	7.3%
BBB	2.9%	0.9%	3.3%	7.1%
BBB-	1.3%	0.0%	2.9%	4.2%
Others <sup>(1)</sup>	0.0%	0.0%	0.5%	0.5%
<b>Total</b>	<b>56.0%</b>	<b>20.4%</b>	<b>23.6%</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	59.49	25.88	32.73	36.76	154.87
Belgium	57.71	0.00	7.33	5.55	70.60
Canada	182.46	39.71	101.10	54.34	377.61
Denmark	11.91	7.50	2.76	8.99	31.16
France	223.24	215.50	112.53	55.26	606.53
Germany	115.23	51.51	33.31	49.45	249.51
Hong Kong	23.90	0.00	3.95	26.54	54.39
Ireland	12.78	0.00	17.05	24.11	53.94
Italy	223.04	71.06	20.68	10.54	325.33
Japan	1,189.08	7.14	24.11	134.81	1,355.14
Mexico	157.85	0.00	16.71	5.62	180.18
Netherlands	55.16	0.00	129.01	33.33	217.50
S.Korea	201.61	0.00	0.75	27.01	229.37
Spain	215.35	34.56	33.30	16.23	299.44
Switzerland	8.22	0.00	12.28	54.37	74.87
United Kingdom	220.14	497.00	171.04	89.60	977.78
United States	988.54	670.42	1,040.09	1,017.05	3,716.10
Others <sup>(1)</sup>	570.81	29.43	144.93	141.88	887.05
<b>Total</b>	<b>4,516.54</b>	<b>1,649.71</b>	<b>1,903.65</b>	<b>1,791.44</b>	<b>9,861.35</b>

(1) Includes cash and cash equivalents