Investment Guidelines Economic and Social Stabilization Fund

The following document corresponds to the translation of Section II of the Investment Guidelines for the Economic and Social Stabilization Fund (ESSF), Official Notice N° 68 from January, 2019. This section contains detailed information about the investment rules and restrictions that must be followed in order to invest the ESSF's resources.

II.- Guidelines for Investment of Resources

II.1 Management Objectives

The objective of managing the resources is to obtain exposure on the asset classes that are contained in the section II.3 below, also regarding with the specifics objectives defined in each investment guidelines showed in the section II.4.

II.2 Investment Portfolio

For the purpose of investing the Resources, an investment portfolio shall be created (hereinafter, "IP"), which shall be made up of the sum of the Portfolio managed by the Fiscal Agent and the Externally-Managed Portfolio, whose specific guidelines, parameters, and rules are contained in the sections below.

II.3 Asset Classes and Benchmarks

The fiscal resources of the IP shall be invested in four asset classes: 1) Banking assets, 2) Treasury bills and sovereign bonds, 3) Inflation-indexed sovereign bonds (these three for the Portfolio managed by the Fiscal Agent), and 4) Equities (for the Externally-Managed Portfolio).

The benchmarks associated with each asset class are stipulated in Table 1 along with the composition that each asset class shall have as a percentage (%) of the total resources (hereinafter, "Strategic Asset Allocation").

Table 1: Strategic Asset Allocation and Benchmarks

Strategic Asset Allocation		
Asset Class	Benchmark	IP Percentage
Banking assets	ICE BofA US Dollar 3 Month Deposit Bid Rate Average Index	5,25%
	ICE BofA Euro Currency 3 Month Deposit Bid Rate Average Index	6,25%
	ICE BofA Japanese Yen 3 Month Deposit Bid Rate Average Index	4,0%
	Banking assets total	**15,5%**
Treasury bills and sovereign bonds	ICE BofA US Treasury Bills Index	6,0%
	ICE BofA Germany Treasury Bills Index	7,25%
	ICE BofA Japan Treasury Bills Index	6,25%
	Treasury bills	**19,5%**
	Bloomberg Barclays Global Aggregate - Treasury: U.S. 7-10 Yrs	27,25%
	Bloomberg Barclays Global Aggregate - Treasury: Germany 7-10 Yrs	11,25%
	Bloomberg Barclays Global Aggregate - Treasury: Japan 7-10 Yrs	10,25%
	Bloomberg Barclays Global Aggregate - Treasury: Switzerland 5-10 Yrs	7,75%
	Sovereign bonds	**56,6%**
	Treasury bills and sovereign bonds total	**76,0%**
Inflation-indexed sovereign bonds	Bloomberg Barclays Global Inflation-Linked: U.S. TIPS 1-10 Yrs	2,5%
	Bloomberg Barclays Global Inflation-Linked: Germany 1-10 Yrs	1,0%
	Inflation-indexed sovereign bonds total	**3,5%**
Equities	**MSCI All Country World Index* (Ex Chile, Unhedged with reinvested dividends)**	**5,0%**
Total		**100,0%**

II.4 Investment Guidelines

The specific investment guidelines for each asset class portfolio are contained in the appendixes which are indicated below:

- Appendix A: Banking assets, Treasury bills and sovereign bonds, and Inflation-indexed sovereign bonds investment guidelines.
- Appendix B: Equities Investment guidelines.

II.5 Rebalancing Policy

The ESSF rebalancing policy requires convergence to the benchmark composition established in Table 1 in the following situations: i) when there is a cash contribution to the ESSF, and ii) in case an asset class exceeds, for three consecutive days, the deviation range allowed for that asset class in Table 2. However, the Ministry of Finance will determine the specific rebalancing date associated with i) and ii) of this paragraph. In the absence of i) and ii), the Ministry of Finance shall instruct a rebalancing of the ESSF at least once per year and will also monitor compliance to the deviation ranges as set forth in Table 2.

Table 2: Deviation Ranges for Rebalancing

Portfolio	Percentage of IP	Deviation Range (Percentage of IP)
Portfolio managed by the Fiscal Agent	95%	93% - 97%
Externally-Managed Portfolio	5%	3% - 7%

The aforementioned notwithstanding, when a rebalancing is instructed, the Financial Markets Division Manager of the Central Bank of Chile may request, via e-mail, to the International Finance Coordinator of the Ministry of Finance to maintain the positioning of the Portfolio managed by the Fiscal Agent relative to the benchmark and not converge to the benchmark established in Table 1. The International Finance Coordinator must authorize the maintenance of said positions via an e-mail addressed to the Financial Markets Division Manager of the Central Bank of Chile.

APPENDIX A

BANKING ASSETS, TREASURY BILLS AND SOVEREIGN BONDS, AND INFLATION-INDEXED SOVEREIGN BONDS INVESTMENT GUIDELINES.

1. Management Objectives

The objective of managing the banking assets, treasury bills and sovereign bonds, and inflation-indexed sovereign bonds portfolios of the ESSF is to obtain monthly total returns (gross of fees) similar to those of the benchmark by means of a passive management approach. The Fiscal Agent shall select the investment strategy that allows for achieving this objective, within the risk standards stipulated in the pertinent guidelines and parameters of section 2 below.

2. Guidelines and parameters

2.1 Benchmark

The benchmarks associated with the Banking assets, Treasury bills and sovereign bonds, Inflation-indexed sovereign bonds portfolio are stipulated in Table 1.

Table 1: Benchmarks

Asset Class		Benchmark
Banking assets	US Dollar-denominated deposits	ICE BofA US Dollar 3 Month Deposit Bid Rate Average Index
	Euro-denominated deposits	ICE BofA Euro Currency 3 Month Deposit Bid Rate Average Index
	Yen-denominated deposits	ICE BofA Japanese Yen 3 Month Deposit Bid Rate Average Index
Treasury bills and sovereign bonds	US treasury bills	ICE BofA US Treasury Bills Index
	Germany treasury bills	ICE BofA Germany Treasury Bills Index
	Japan treasury bills	ICE BofA Japan Treasury Bills Index
	US sovereign bonds	Bloomberg Barclays Global Aggregate - Treasury: U.S. 7-10 Yrs
	German sovereign bonds	Bloomberg Barclays Global Aggregate - Treasury: Germany 7-10 Yrs
	Japanese sovereign bonds	Bloomberg Barclays Global Aggregate - Treasury: Japan 7-10 Yrs
	Swiss sovereign bonds	Bloomberg Barclays Global Aggregate - Treasury: Switzerland 5-10 Yrs
Inflation-indexed sovereign bonds	US Inflation-indexed sovereign bonds	Bloomberg Barclays Global Inflation-Linked: U.S. TIPS 1-10 Yrs
	German Inflation-indexed sovereign bonds	Bloomberg Barclays Global Inflation-Linked: Germany 1-10 Yrs

2.2 Risk Budget

The margins of deviation for the Banking assets, Treasury bills and sovereign bonds, Inflation-indexed sovereign bonds portfolio under management are subject to a risk budget. This allows for limiting overall deviations with regards to the Benchmark. The risk budget is measured in terms of basis points of ex ante tracking error and will be calculated daily by the custodian or the institution providing middle office services.

The following risk budget is assigned for the Portfolio managed by the Fiscal Agent: 50 basis points of annual tracking error (ex ante).

2.3 Eligible Issuers.

2.3.1 Eligible Banks.

Banks with long-term instrument ratings in a category that is equal to or above A- in at least two of the following international risk rating agencies are eligible: Fitch, Moody's, and Standard & Poor's.

The investment limits by issuer for eligible risk ratings (between AAA and A- categories) are specified in Table 2, and shall be computed on a quarterly basis and on occasion of each contribution based on the final value of the IP in the former quarter or on the value of the fund the day before the contribution and adding the amount of the contribution.

Table 2: Limits to Banking Exposure

Risk Rating	Maximum Limit[1]
AAA	3.0% * ESSF closing of previous quarter
AA+ AA AA-	2.0% * ESSF closing of previous quarter
A+ A A-	1.5% * ESSF closing of previous quarter

It should be noted that a distinction is made between the exposure to the Custodian Bank, in its role as a custodian, and the exposure to said bank in its role as intermediary. The end-day cash balances may be maintained with the Custodian Bank, in the custody account, up to an aggregate amount equivalent to 5% of the portfolio's market value. In the event that the Custodian Bank loses eligibility as a financial intermediary, the investment limit in its custodian role will be maintained.

2.3.2. Treasury Bills and Sovereign Bonds

Sovereign issuers that are included in the pertinent benchmark are eligible issuers.

Additionally, eligible issuers include Supranational Entities, Agencies, and Entities with Explicit Government Guarantees that are eligible for investment in the International Reserves portfolio of the Central Bank of Chile.

In order to monitor positions, returns and risk indicators, the instruments issued by Supranational Entities, Agencies, and Entities with Explicit Government Guarantees with a remaining maturity of under one year will be considered part of the Treasury Bills portfolio as indicated in Table 1. Likewise, instruments issued by Supranational Entities, Agencies, and Entities with Explicit Government Guarantees with a remaining

[1] To estimate the maximum investment amount, the maximum limit must be rounded to a tenth of a million.

maturity of over one year will be considered part of the Sovereign Bonds portfolio as indicated in Table 1.

2.4 Eligible Currencies

The only eligible currencies shall be those included in the pertinent benchmark.

2.5 Eligible Instruments

The eligible instruments for the Banking assets, Treasury bills and sovereign bonds, and Inflation-indexed sovereign bonds portfolio are the following:

a. Banking assets: The only eligible instruments shall be current account balances held at banks, night and weekend deposits, term deposits with a maximum limit of 365 calendar days and certificates of deposit, and current account balances, term and overnight deposits at central banks of the eligible countries.

b. Treasury bills and sovereign bonds and indexed sovereign bonds: The only eligible sovereign instruments are those included in the benchmark and those which comply with the benchmark eligibility criteria and therefore are expected to be included in said benchmark at the end of the respective month or by the end of the following month. In case an instrument is not incorporated in the Benchmark as expected, regardless of the reason for exclusion, the Fiscal Agent has a period of 7 days to sell the instrument. Additionally, those instruments which have ceased to be eligible and hence eliminated from the benchmark due to a remaining maturity which falls below benchmark requirements will remain eligible, as long as the issuer remains in the index.

c. Supranational Entities, Agencies, and Entities with Explicit Government Guarantees: Only bills and discount notes (including Euro commercial papers); “Bullet” bonds, both “Callable” and “Non-Callable” will be eligible; in all cases with remaining maturities equal to or less than 10 years.

2.6 Limits in currency Forwards or currency Swaps Transactions

For the Portfolio managed by the Fiscal Agent, the following rules are established regarding currency hedging procedures using currency forwards or swaps.

a. Forward or swap transactions shall only be made among eligible currencies.

b. Currency forward or swap contracts shall only be made with bank counterparties which have long-term instruments risk ratings equal to or over A- in at least two of the following international risk rating agencies: Fitch, Moody’s, and Standard & Poor’s.

c. Currency forward or swap contracts may be cash delivery or offsetting contracts.

d. The term of these contracts shall not exceed 95 calendar days.

e. The counterparty risk pertinent to each forward or swap contract shall be a 100% of the notional value of the contract, as denominated in USD. For the purpose of these investment guidelines, the notional value of the forward or swap shall be the long leg of the forward or swap contract. For measuring counterparty risk, forwards or swaps shall be valued in USD on a daily basis throughout the effective term of the contract.

f. Notwithstanding the above, the counterparty risk pertinent to each contract that includes a close-out netting clause in case of the counterparty's insolvency or bankruptcy shall be a 15% of the notional value of the forward and a 30% of the notional value of the swap, as denominated in its equivalent value in USD. Likewise, if the forward or swap contract is aimed to close or partially close a position associated with another forward or swap contract, and provided that these contracts have close out netting clauses, the same counterparty, the same maturity date, and the same pair of currencies, the total net position between the contracts of the forwards and swaps involved shall be taken into account for measuring counterparty risk. With regard to counterparty risk measurement, forwards and swaps contracts shall be valued in USD on a daily basis throughout the effective term of the contract for purposes of measuring counterparty risk. Regarding Section 2.6, letter h., said renewal cannot be considered within the derivate exposure.

g. The counterparty risk of each forward or swap contract will be considered as part of limits established in Table 2 above.

h. The notional amount of outstanding forward or swap contracts shall not exceed, in all, a 4% of the Portfolio managed by the Fiscal Agent.

i. The nominal value of the forwards or swaps contracted by the Fiscal Agent with an eligible counterparty shall not exceed 1% of the market value of the portfolio. Nevertheless, if there is a rollover of a forward contract with the same counterparty and in the same pair of currencies, even if the amount may differ from the original contract, the limit will increase twice its value for said counterparty during two business days starting from the day the forward is renewed. Likewise, for the purposes of calculating the counterparty risk, this renewal shall not be taken into account for two business days, starting from the day the renewal begins, for the calculation of the risk limits by issuer established in Table 2 above.

2.7 Limits to Currency Spot Transactions

The Fiscal Agent may execute currency spot transactions with counterparties with long-term instruments risk rating equal or over A- in at least two of the following international risk rating agencies: Fitch, Moody's, and Standard & Poor's.

2.8 Limits to the investments in Supranational Entities, Agencies, and Entities with Explicit Government Guarantee

The investment limit for instruments issued by Supranational Entities, Agencies, and Entities with Explicit Government Guarantee which have a remaining maturity of under one year is a maximum of 3.0% for USD denominated instruments, and 3.5% for EUR denominated instruments, both expressed as a percentage of the ESSF. Investments denominated in JPY are not permitted for these instruments.

The maximum limit for instruments issued by Supranational Entities, Agencies, and Entities with Explicit Government Guarantee which have a remaining maturity equal to or over one year is 2.65% for USD denominated instruments, 1.10% for EUR denominated instruments, 1.00% for JPY denominated instruments, and 0.75% for CHF denominated instruments, all expressed as a percentage of the ESSF.

2.9 Special Restrictions

Investment in instruments issued by Chilean issuers is not permitted, nor can investments be made in instruments denominated in Chilean pesos.

The Fiscal Agent may not use derivatives to increase exposure to financial instruments beyond the market value of the portfolio under management.

There is no leverage allowed for investment purposes except to cover any instrument liquidation issue.

2.10 External Cash Flows

The external cash flows in the Banking assets, Treasury bills and sovereign bonds, and Inflation-indexed sovereign bonds portfolio, will be the result of the rebalancing policy application, required to converge to the benchmark composition or a result of a withdrawal from the ESSF.

The ESSF rebalancing policy requires convergence to the benchmark composition in the following situations: i) when there is a cash contribution to the ESSF, or ii) in case an asset class exceeds the deviation range allowed for that asset class for three consecutive days. However, the Ministry of Finance will determine the specific rebalancing date associated with i) and ii) of this paragraph. In the absence of i) and ii), the Ministry of Finance shall instruct a rebalancing of the ESSF at least once per year.

For any rebalance or withdrawal from the ESSF, the Ministry of Finance shall order the amounts to be transferred among External Managers and the Portfolio managed by the Fiscal Agent. When rebalancing results in a cash inflow to the Portfolio managed by the Fiscal Agent, the Fiscal Agent shall be granted a 10 banking days' special waiver regarding fulfillment of requirements of Sections 1, 2.2 and the limits established in Table 2, starting from the day of the cash contribution. For cash withdrawals from the Portfolio managed by the Fiscal Agent, the Fiscal Agency shall be granted a 10 banking days' special waiver regarding fulfillment of requirements of Sections 1, 2.2 and the limits established in Table 2, before and until the day of the cash withdrawal. This period may be extended at the request of any of them to the Ministry of Finance, justifying the reasons for said extension. In the case where the period between the instruction date of the cash withdrawal and the effective date of the withdrawal is less than 10 business days, said period shall apply to the special waiver.

The aforementioned notwithstanding, when a rebalancing is instructed, the Financial Market Division Manager of the Central Bank of Chile may request, via e-mail, to the International Finance Coordinator of the Ministry of Finance to maintain the positioning of the Portfolio managed by the Fiscal Agent relative to the benchmark and not converge to the benchmark. The International Finance Coordinator must authorize the maintenance of said positions via an e-mail directed to the Financial Markets Division Manager of the Central Bank of Chile.

3. Valuation Criteria

The portfolio valuation shall be prepared as per the "marked to market" criterion, by using the custodian bank's own valuation sources. Notwithstanding the above, it should be noted that the Central Bank of Chile, for internal purposes related to the Portfolio managed by the Fiscal Agent, may use the same method it uses for its own international reserves transactions, in order to comply with letter g) of section 4 of the Agency Decree.

4. Securities Lending Program

The Fiscal Agent for the Portfolio managed by the Fiscal Agent may agree securities lending programs with the ESSF custodians (hereinafter, "Programs" or "Securities Lending"), as long as the custodians with which the management of said Programs is agreed (hereinafter, "Program Managers") oblige themselves to comply with the operating criteria set forth in the Custody Guidelines, specially including the obligation to restitute the pertinent securities or, failing that, the market value thereof.

5. Other

Foreign Exchange transactions are considered to be spot regarding each market convention. The aforementioned notwithstanding, foreign exchange transactions which are related to the purchase or sale of an instrument are considered to be spot when the number of days between the trade date and the settlement date equals the market convention settlement period of the instrument being purchased or sold.

The base currency of the portfolio for the effects of the performance of the Fiscal Agent is the USD.

If, at any time, any of the instructions herein described is defaulted due to market price fluctuations, abnormal market conditions, or any other reason beyond the Fiscal Agent's control, the Fiscal Agent shall not be considered as defaulting the applicable guidelines if, within 7 business days after having detected such situation, they take the necessary steps to ensure their compliance. This period may be extended at the Fiscal Agent's request to the Ministry of Finance, or to the person it may appoint, justifying the reasons for said extension.

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Appendix B

Investment Guidelines for the External Equity Portfolio Managers for the Economic and Social Stabilization Fund

1. Management Objectives

The objective of managing the resources of the Equities Portfolio of the Economic and Social Stabilization Fund (ESSF) is to obtain monthly total returns, gross of ESSF, similar to those of the benchmark by means of a passive management approach, within the risk standards stipulated in the pertinent guidelines and parameters of Section 2 below.

2. Guidelines and Parameters

2.1. Benchmark

The benchmark associated with the Equities Portfolio (the "Benchmark") is the MSCI All Country World Index Ex-Chile (unhedged with the dividends re-invested) index.

For the purposes of the performance and tracking error calculations, the pre-tax Benchmark will be used.

2.2. Risk Budget

The margins of deviation for the Equities Portfolio under management are subject to a risk budget. This allows for limiting overall deviations with regards to the Benchmark. The risk budget is measured in terms of basis points of ex ante tracking error and will be calculated daily by the Custodian or the institution providing middle office services.

The following risk budget is assigned for the Equities Portfolio: 60 basis points of annual tracking error (ex ante).

2.3. Eligible Issuers and Currencies

Only the currencies and issuers which form part of the Benchmark are eligible.

2.4. Eligible Securities for Equities

The eligible securities for the Equities Portfolio are the following:

a) Securities that form part of the Benchmark, and those that will be added to the Benchmark from the moment the provider of the Benchmark has formally announced the inclusion. If for any reason the security, which was announced to be incorporated to the Benchmark, is not incorporated as expected, the External Manager will have 7 business days (in local market) to sell the instrument starting from the date the instrument was expected to be incorporated.

b) The Ministry of Finance shall generate, maintain and communicate to the External Manager a list of the eligible Mutual Funds and Exchange Traded Funds (ETFs), which may also include ETFs advised, sub-advised or managed by an affiliate of the External Manager. Schedule V attached hereto contains the list of ETFs for the ESSF Portfolio and is hereby incorporated into this Appendix 2.1: Investment Guidelines for the External Equity Portfolio Managers for the

ESSF by reference. The Customer may amend such Schedule V from time to time by written notice to the External Manager. The External Manager shall continue to rely upon these instructions until notified in writing by the Customer to the contrary.

c) American Depositary Receipts (ADRs), Global Depositary Receipts (GDRs) and other Depositary Receipts traded at the stock exchange, of the shares that make up the Benchmark, as long as they do not demand the use of tax agents in the country of the issuer of the underlying instrument.

d) Futures traded in exchanges on equity indices used only for hedging purposes, which allow for minimizing differences with the Benchmark, or which allow exposure to said Benchmark. No leverage is allowed. This means that the exposure in these derivatives shall not exceed the market value of the portion of underlying assets. If the underlying asset is cash, it should be kept in line with Section 2.5.

2.5. Eligible Instruments for Cash

The cash exposure shall not exceed 5% of the portfolio under management. The return obtained on the cash maintained by the External Manager shall be included in the calculation of the return of the total portfolio under management.

The following shall be eligible as cash: current account balances, overnight and/or weekend deposits at banks with long term instruments rating equal or over A- in at least two of the following international risk rating agencies: Fitch, Moody's, and Standard & Poor's. The eligible markets for investing cash shall be the countries or jurisdictions where the eligible instruments of the pertinent mandates are quoted.

The maximum exposure to each eligible bank is equivalent to 5% of the market value of the portfolio based on the closing market value of the portfolio at the previous quarter. Notwithstanding the above, whenever the External Manager receives a cash contribution, the External Manager may invest up to 10% of the market value of the portfolio in one same bank issuer for ten business days from the day of the cash contribution. In addition, whenever the External Manager is instructed to generate liquidity for a cash withdrawal, the External Manager may invest up to 10% of the market value of the portfolio in one same bank issuer for ten business days before and until the day of the cash withdrawal.

A distinction is made between exposure to the custodian bank in its role as custodian, and the exposure to said bank in its role as financial intermediary. Day-end cash balances equivalents may be held with the custodian bank, in its custody account, for up to an amount equivalent to 5% of the market value of the portfolio. In the event that the custodian bank loses eligibility as a financial intermediary, its investment limit in the role of custodian shall be maintained.

2.6. Limits in currency Forwards or currency Swaps Transactions

The External Manager may contract forwards or swaps to minimize the differences with the currency composition of its Benchmark.

The following rules shall be applicable to currency hedging procedures by using currency forwards or swaps:

a) Forward or swap transactions shall only be made among eligible currencies.

b) Currency forward or swap contracts shall only be made with eligible counterparties having long term instruments risk ratings equal or over A- in at least two of the following international risk rating agencies: Fitch, Moody's, and Standard & Poor's.

c) Currency forward or swap contracts may be cash delivery or offsetting contracts.

d) The term of the currency forward or swap contracts shall not exceed 95 calendar days.

e) The counterparty risk pertinent to each forward or swap contract shall be a 100% of the notional value of the contract, as denominated in USD. For the purpose of these investment guidelines, the notional value of the forward or swap shall be the long leg of the forward or swap contract. For measuring counterparty risk, forwards or swaps contracts shall be valued in USD on a daily basis throughout the effective term of the contract.

f) Notwithstanding the above, the counterparty risk pertinent to each contract that includes a close-out netting clause in case of the counterparty's insolvency or bankruptcy shall be a 15% of the notional value of the forward and a 30% of the notional value of the swap, as denominated in its equivalent value in USD. Moreover, if the forward or swap contract is aimed to close or partially close a position associated with another forward or swap contract, and provided that these contracts have close out netting clauses, the same counterparty, the same maturity date, and the same pair of currencies, the total net position between the contracts involved shall be taken into account for measuring counterparty risk. Forwards or swaps contracts shall be valued in USD on a daily basis throughout the effective term of the contract for purposes of measuring counterparty risk.

g) The counterparty risk pertinent to each currency forward or swap contract shall be considered for the purpose of observing the limits set forth in section 2.5.

h) The notional value of the forwards or swaps contracted by the External Manager with an eligible counterparty shall not exceed 3% of the market value of the portfolio managed by him. Nevertheless, if there is a rollover of a forward contract with the same counterparty and in the same pair of currencies, even if the amount may differ from the original contract, the limit will increase to 6% for said counterparty during two business days starting from the day the forward is renewed. The aforementioned notwithstanding, counterparty risk limit established in Section 2.5 shall not take into account said rollover for two business days starting from the day the rollover begins. And, for purposes of the third paragraph of Section 2.8, said renewal will not be considered within the derivatives exposures.

2.7. Limits to Currency Spot Transactions

The External Manager may execute currency spot transactions with counterparties with long term instruments risk rating equal or over A- in at least two of the following international risk rating agencies: Fitch, Moody's, and Standard & Poor's.

2.8. Special Restrictions

Investment in instruments issued by Chilean issuers is not permitted, nor can investments be made in instruments denominated in Chilean pesos.

The External Manager may not use derivatives to increase exposure to financial instruments beyond the market value of the portfolio under management.

The External Manager may contract eligible futures, and currency forwards or swaps whose aggregate notional amounts valued at market price and in absolute terms shall not exceed 10% of the portfolio under its management.

Mutual Funds and ETFs may not represent, as a whole, more than the aggregate participations of Egypt, India, Pakistan, Philippines, Poland, Russia, Taiwan, Thailand, and Turkey in the Benchmark plus 2%.

The External Manager shall not invest in the local markets of Chile, Egypt, Philippines, India, Peru, Pakistan, Poland, Russia, Thailand, Taiwan, and Turkey. Investment in China shall only be made either through the Hong Kong stock exchange or any other exchanges where the stocks in the Benchmark are traded, excluding the local markets of China, as long as the External Manager is authorized to invest in those local markets.

The External Manager shall not invest in its own equities or those of their affiliates.

Borrowing for investment purposes shall not be accepted except as required to cover any failure of settlement.

2.9. External Cash Flows

External cash flows in the Equities Portfolio are the result of applying the rebalancing policy to converge to the Strategic Asset Allocation for the ESSF or withdrawals from the fund.

Rebalancing is triggered in the ESSF when:

a) An asset class exceeds the deviation range allowed for that asset class, or

b) When there is a cash contribution to the ESSF.

The aforementioned notwithstanding, the Ministry of Finance must rebalance the ESSF at least once a year.

Every time that a rebalancing is triggered or that there is a withdrawal, the Ministry of Finance shall order the amounts to be transferred to/from and/or among External Managers, if required. For external cash contributions, the External Manager shall be granted a 10 banking days' special waiver regarding fulfillment of requirements of Sections 1, 2.2, and the first and last paragraphs of Section 2.5 from the day of the cash contribution. For external cash withdrawals, the External Manager shall be granted a 10 banking days' special waiver regarding fulfillment of requirements of Sections 1, 2.2, and the first and last paragraphs of Section 2.5 before and until the day of the cash withdrawal. The waiver period may be extended at the request of any of them to the Ministry of Finance, justifying the reasons for said extension. In the case where the period between the instruction date of the cash withdrawal and the effective date of the withdrawal is less than 10 business days, said period shall apply to the special waiver.

3. Valuation Criteria

The portfolio valuation shall be implemented under "marked to market" criteria, using the prices given by the custodian(s).

4. Securities Lending Program

The External Manager shall neither execute nor agree any securities lending programs. Notwithstanding the foregoing, Customer understands and agrees that the ESSF Portfolio may be exposed to securities lending through the holdings of any ETF or mutual fund authorized by these guidelines. Also, the Central Bank of Chile, in its role as Fiscal Agent, may contract with the ESSF's Custodian(s) securities lending programs for the Equities Portfolio (hence forth "Programs" or "Securities Lending") as long as the Custodian, which will be responsible for managing those Programs, complies with the operating procedures established in the Custodian Guidelines, including in particular the obligation of returning the securities, or their equivalent market value.

5. Other

Foreign Exchange transactions are considered to be spot operations according to the market conventions utilized in each market. The aforementioned notwithstanding, foreign exchange transactions which are related to the purchase or sale of an instrument are considered to be spot when the number of days between the trade date and the settlement date equals the market convention settlement period of the instrument being purchased or sold.

The base currency of the portfolio for the effects of the performance of the External Manager is the USD.

If, at any time, any of the instructions herein described are breached due to market price fluctuations, abnormal market conditions, or any other reason beyond the External Manager's control, within their respective terms of office, the External Manager shall not be considered as breaching the applicable guidelines if, within 7 business days after having detected such situation, he takes the necessary steps to ensure their compliance. This period may be extended at the External Manager's request to the Ministry of Finance, justifying the reasons for said extension.

The aforementioned notwithstanding, the External Manager may temporarily hold ineligible instruments obtained as the result of corporate actions or instruments that lost their eligibility due to corporate actions. The External Manager must dispose of said ineligible instruments within 30 consecutive days starting from the corporate action event. In the case the latter is not possible; the External Manager must inform the General Treasury at the Ministry of Finance of that situation and the steps that will be followed to sell the instruments. In the particular case of entitlements, preferred stock, rights, warrants or other equivalent instruments obtained due to corporate events that confer the ability to purchase or exchange instruments or receive cash, the External Manager is authorized to maintain said instruments until expiration.

The External Manager is expressly authorized to enter into internal crossing transactions.

6. Effective Date

The provisions of Section 2 shall take effect on January 14, 2019.

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