



# PENSION RESERVE FUND

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Monthly Executive Report as of October, 2017

## I. Market Value as of October, 2017

The market value of the Pension Reserve Fund (PRF) totaled US\$9,805.46 million at the end of the month. It changed due to: (i) accrued interests of US\$15.19 million, (ii) capital losses on investments of US\$8.97 million and (iii) administrative, custody and other costs of US\$0.51 million.

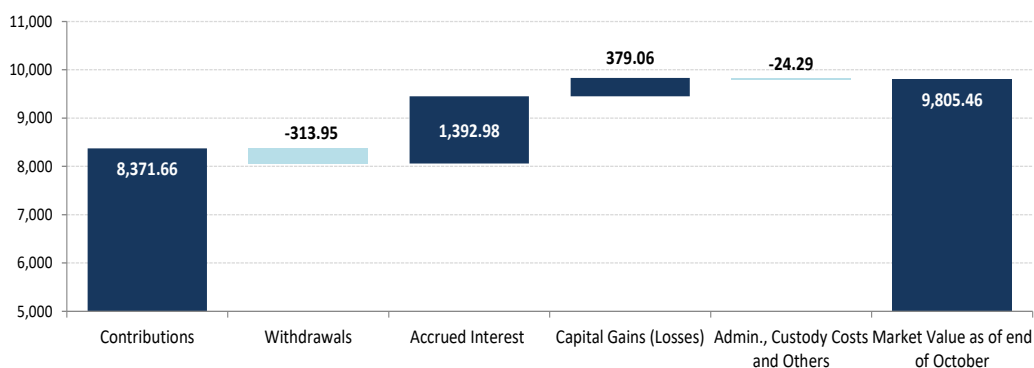
Changes in Market Value (US\$ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			Since Inception	
											Q1	Q2	Q3	October	
Starting Market Value <sup>(1)</sup>	604.63	1,466.35	2,506.76	3,420.83	3,836.70	4,405.60	5,883.25	7,335.11	7,943.70	8,112.21	8,862.07	9,096.99	9,868.69	9,799.75	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	0.00	505.15	0.00	0.00	8,371.66
Withdrawals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-313.95	0.00	-313.95
Accrued Interest	45.62	71.25	71.86	70.23	75.20	130.65	174.06	190.18	194.29	197.38	51.40	52.49	53.17	15.19	1,392.98
Capital Gains (Losses)	79.79	60.42	5.85	8.74	50.81	150.87	-94.60	-75.90	-485.19	94.45	184.56	215.27	192.87	-8.97	379.06
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	-1.05	-1.21	-1.05	-0.51	-24.29
<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>9,096.99</b>	<b>9,868.69</b>	<b>9,799.75</b>	<b>9,805.46</b>	<b>9,805.46</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 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			
											Q1	Q2	Q3	October
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	4,189.02	4,764.78	4,665.62	4,639.79
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	1,546.97	1,643.53	1,662.48	1,660.75
Corporate Bonds	-	-	-	-	-	1,198.96	1,453.66	1,609.61	1,628.69	1,788.70	1,815.25	1,983.02	1,965.07	1,967.08
Equity	-	-	-	-	-	951.31	1,216.65	1,211.32	1,164.15	1,444.20	1,545.75	1,477.36	1,506.58	1,537.84
<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>9,096.99</b>	<b>9,868.69</b>	<b>9,799.75</b>	<b>9,805.46</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

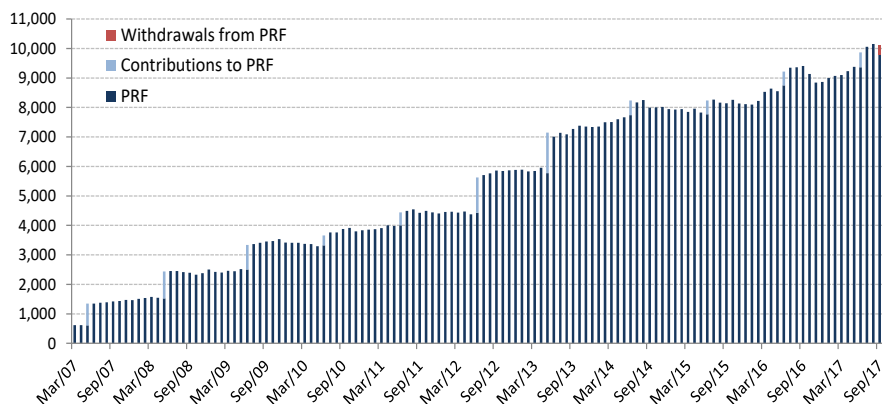
(2) Investment in Government Related Bonds started in January 2012.

By Risk Exposure <sup>(1)</sup> (US\$ million)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017			
											Q1	Q2	Q3	October
Sovereign and Government Related Banks <sup>(2)</sup>	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	5,728.71	6,376.15	6,324.10	6,272.94
Corporate Bonds	439.54	404.21	731.04	812.06	753.02	37.11	16.74	13.90	39.97	22.16	31.87	58.20	18.67	47.16
Equity	-	-	-	-	-	1,186.74	1,177.51	1,600.48	1,616.86	1,777.89	1,796.90	1,961.79	1,955.80	1,953.92
<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>9,096.99</b>	<b>9,868.69</b>	<b>9,799.75</b>	<b>9,805.46</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, 2017

The monthly return in US dollars was 0.06%. This is decomposed in the return of the Sovereign and Government Related Bonds, -0.55%, Inflation Indexed Sovereign Bonds, -0.09%, Corporate Bonds, 0.10%, and Equities, 2.08%. The returns of the fixed-income portfolios were mainly explained by the impact of the depreciation of the currencies in which they are invested with respect to the US dollar, and their positive returns in local currency, which in the case of the Corporate Bonds portfolio compensated the effect of the exchange rate movements. The return of the equity portfolio was mainly explained by its return in local currency. In pesos, the monthly return of the fund was 0.00%. Finally, the fund accumulated during the year a return of 8.36% in dollars and 3.36% in pesos, while the annualized return since inception was 3.73% and 5.37% respectively.

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	-0.55%	-0.73%	5.91%	0.05%	0.82%	
Inflation Indexed Sov. Bonds	-0.09%	0.95%	5.80%	3.65%	1.36%	
Corporate Bonds	0.10%	0.63%	7.50%	4.95%	2.52%	
Equities	2.08%	4.52%	19.94%	23.53%	8.28%	
<b>Total Portfolio</b>	<b>0.06%</b>	<b>0.62%</b>	<b>8.36%</b>	<b>5.12%</b>	<b>2.48%</b>	<b>3.73%</b>
Exchange rate (CLP)	-0.06%	-2.32%	-4.62%	-2.33%	3.35%	1.58%
Return in CLP <sup>(c)</sup>	0.00%	-1.71%	3.36%	2.67%	5.90%	5.37%

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

(b) It 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, 2017

Portfolio by Asset Class	US\$ million	% of Total	Duration	Years
Sovereign and Government Related Bonds	4,639.79	47.3%	Sovereign and Government Related Bonds	7.3
Inflation Indexed Sov. Bonds	1,660.75	16.9%	Inflation Indexed Sov. Bonds	12.2
Corporate Bonds	1,967.08	20.1%	Corporate Bonds	6.5
Equity	1,537.84	15.7%	<b>Total</b>	<b>8.1</b>
<b>Total</b>	<b>9,805.46</b>	<b>100.0%</b>		

Portfolio by Currency as percentage of Asset Class	USD	EUR	JPY	GBP	CAD	AUD	CHF	Others	Total
Sovereign and Government Related Bonds	29.9%	27.7%	24.6%	5.8%	3.4%	2.4%	0.4%	5.9%	100.0%
Inflation Indexed Sov. Bonds	41.1%	22.5%	0.4%	30.8%	2.2%	1.2%	0.0%	1.8%	100.0%
Corporate Bonds	66.2%	22.9%	1.8%	5.4%	2.7%	0.4%	0.6%	0.0%	100.0%
Equity	57.0%	10.8%	7.9%	5.9%	3.1%	2.2%	2.6%	10.5%	100.0%
<b>Total</b>	<b>43.2%</b>	<b>23.2%</b>	<b>13.4%</b>	<b>10.0%</b>	<b>3.0%</b>	<b>1.8%</b>	<b>0.7%</b>	<b>4.8%</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	14.8%	10.1%	0.4%	25.3%
AA+	1.0%	5.4%	0.3%	6.7%
AA	6.8%	3.3%	0.3%	10.4%
AA-	3.5%	0.0%	1.1%	4.6%
A+	9.3%	0.0%	2.6%	11.9%
A	9.7%	0.1%	3.1%	12.9%
A-	1.4%	0.0%	4.3%	5.6%
BBB+	4.9%	0.4%	4.9%	10.2%
BBB	3.0%	1.0%	3.3%	7.3%
BBB-	1.5%	0.0%	3.5%	5.0%
Others <sup>(1)</sup>	0.3%	-0.3%	0.2%	0.2%
<b>Total</b>	<b>56.1%</b>	<b>20.1%</b>	<b>23.8%</b>	<b>100.0%</b>

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

Portfolio by Country (US\$ million)	Sovereign and Government Related	Inflation Indexed Sov. Bonds	Corporate Bonds	Equity	Total
Australia	68.59	27.35	32.58	34.73	163.25
Belgium	59.77	0.00	10.04	5.87	75.68
Canada	200.81	40.67	89.48	48.61	379.56
Denmark	19.06	7.67	18.29	9.39	54.41
France	299.56	206.75	127.75	52.77	686.82
Germany	118.78	62.32	22.43	49.34	252.88
Hong Kong	0.00	0.00	3.00	23.27	26.27
Ireland	13.39	0.00	20.49	11.04	44.93
Italy	240.91	83.82	30.53	10.73	365.98
Japan	1,182.52	7.11	38.58	120.25	1,348.45
Mexico	204.63	0.00	20.83	5.56	231.02
Netherlands	58.65	0.00	133.86	23.73	216.24
S.Korea	191.31	0.00	1.07	28.56	220.94
Spain	222.01	34.78	23.35	17.20	297.34
Supranational	7.57	0.00	0.00	0.00	7.57
Switzerland	0.00	0.00	22.06	47.19	69.25
United Kingdom	183.43	500.85	186.38	84.28	954.93
United States	921.65	682.54	1,062.98	833.30	3,500.46
Others <sup>(1)</sup>	647.17	6.89	123.38	132.03	909.46
<b>Total</b>	<b>4,639.79</b>	<b>1,660.75</b>	<b>1,967.08</b>	<b>1,537.84</b>	<b>9,805.46</b>

(1) Includes cash and cash equivalents