Investment Guidelines Pension Reserve Fund

The following document corresponds to the translation of the Investment Guidelines for the Pension Reserve Fund (PRF), Official Notice N° 1.1838 from August, 2020. This section contains detailed information about the investment rules and restrictions that must be followed in order to invest the PRF's resources.

II.- Guidelines for Investment of Resources

II.1 Management Objectives

The objective of managing the resources is to obtain exposure to the asset classes that are contained in the section II.2 below, according to the specific objectives defined in the investment guidelines set forth in section II.4**.**

II.2 Investment Portfolios

For the investment of the Resources, a Long-Term Investment Portfolio (hereinafter, also "LT IP") and a Short-Term Investment Portfolio (hereinafter, also "ST IP") shall be established. Both portfolios will be managed in accordance with the particular guidelines, parameters and rules contained in the section below.

II.2.1 Strategic Asset Allocation and Benchmarks of Long-Term Investment Portfolio

The resources of the LT IP shall be invested in six asset classes: 1) Sovereign and government-related bonds; 2) Inflation-indexed sovereign bonds; 3) Mortgage-backed securities issued by U.S. agencies (U.S. agency MBS); 4) Corporate bonds; 5) High yield bonds; and 6) Equities.

The Benchmarks associated to each asset class are identified in Table 1 along with the % composition of each asset class in the portfolio (hereinafter, also "Strategic Asset Allocation").

Table 1: Strategic Asset Allocation and Benchmarks of Long-Term Investment Portfolio

Strategic Asset Allocation		Benchmarks
Asset Classes	Percentage of LT IP	
Sovereign and government-related bonds [1]	34%	Bloomberg Barclays Global Aggregate: Treasuries Index (USD unhedged)
		Bloomberg Barclays Global Aggregate: Government-Related Index (USD unhedged)
Inflation-index sovereign bonds	8%	Bloomberg Barclays Global Inflation-Linked Index (USD unhedged)
U.S. agency MBS	6%	Bloomberg Barclays US Mortgage Backed Securities Index
Corporate bonds	13%	Bloomberg Barclays Global Aggregate: Corporates Index (USD unhedged)
High yield bonds	8%	Bloomberg Barclays Global High Yield Index (USD unhedged)
Equities	31%	MSCI All Country World Index ex Chile (USD unhedged, with reinvested dividends)
Total	**100%**	

[1] Each sub-index of this asset class is weighted according to its relative capitalization size.

II.2.2 Strategic Asset Allocation and Benchmarks of Short-Term Investment Portfolio

The resources of the ST IP shall be invested in two asset classes: 1) Treasury bills; and 2) Sovereign bonds.

The Benchmarks associated to each asset class and the Strategic Asset Allocation are identified in Table 2.

Table 2: Strategic Asset Allocation and Benchmarks of Short-Term Investment Portfolio

Strategic Asset Allocation		*Benchmark*
Asset Classes	**Percentage of ST IP**	
Treasury bills	93%	ICE BofA US Treasury Bill Index (ticker Bloomberg G0BA)
Sovereign bonds	7%	Bloomberg Barclays Global Aggregate - Treasury: U.S. 1- 3 Yrs (ticker Bloomberg LT01TRUU)
Total	**100%**	

II.3 Resource Management

The Sovereign and government-related bonds and Inflation-indexed sovereign bonds of the Long-Term Investment Portfolio, and the Treasury bills and Sovereign bonds of the Short-Term Investment Portfolio shall be managed by the Central Bank of Chile, acting as Fiscal Agent, and will constitute the Portfolio Managed by the Fiscal Agent - Internal.

The U.S. agency MBS of the Long-Term Investment Portfolio shall be managed directly by Delegated Managers and will constitute the Portfolio Managed by the Fiscal Agent - Delegated.

The Corporate bonds, High yield bonds and Equities of the Long-Term Investment Portfolio will be managed by External Managers and will constitute the Portfolio Managed by External Managers.

II.4 Investment Guidelines

The investment guidelines required to manage the PRF by the Fiscal Agent, Delegated Managers and External Managers are contained in the following appendices:

- Appendix A: Investment Guidelines for Sovereign and government-related bonds, and Inflation-indexed sovereign bonds in the Long-Term Investment Portfolio

- Appendix B: Investment Guidelines U.S. agency MBS in the Long-Term Investment Portfolio

- Appendix C: Investment Guidelines for Equities in the Long-Term Investment Portfolio

- Appendix D: Investment Guidelines for Corporate bonds in the Long-Term Investment Portfolio

- Appendix E: Investment Guidelines for High yield bonds in the Long-Term Investment Portfolio

- Appendix F: Investment Guidelines for Short-Term Investment Portfolio

II.5 Rebalance Policy

The Minister of Finance will define the Resources assigned to the Short- and Long-Term Investment Portfolios mentioned above.

However, the Minister of Finance must communicate the rebalancing policy that will be used to keep the Long-Term Investment Portfolio aligned with its benchmark.

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APPENDIX A

INVESTMENT GUIDELINES FOR SOVEREIGN AND GOVERNMENT-RELATED BONDS, AND INFLATION-INDEXED SOVEREIGN BONDS IN THE LONG-TERM INVESTMENT PORTFOLIO

1. Management Objectives

The objective of managing the resources of the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds of the Pension Reserve Fund (PRF) is to obtain total monthly 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 Benchmark associated with the Sovereign and government-related bonds are Bloomberg Barclays Global Aggregate: Treasuries Index (USD unhedged), ticker: LGTRTRUU, and Bloomberg Barclays Global Aggregate: Government-Related Index (USD unhedged), ticker: BGAGTRUU. Each sub-index of this asset class is aggregated according to its relative capitalization.

The Benchmark associated with the Inflation-indexed sovereign bonds is Bloomberg Barclays Global Inflation-Linked Index (USD unhedged), ticker: LF94TRUU.

The Portfolio of Sovereign and government-related bonds, and Inflation-indexed sovereign bonds corresponds to the Portfolio Managed by the Fiscal Agent - Internal, that is part of the LT IP.

2.2. Risk budget

The deviation margins for the Sovereign and government-related bonds, and 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 Bank or the institution providing middle office services.

The following risk budget is assigned for the Sovereign and government-related bonds, and Inflation-Indexed Sovereign Bonds portfolio: 50 basis points of annual tracking error (ex-ante).

2.3. Eligible issuers and currencies

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

2.4. Eligible Securities

The eligible securities for Sovereign and government-related bonds are the following:

a. Securities that form part of the Benchmark, and those that are believed to be added to the Benchmark the following or subsequent month. If for any reason the security which was expected to be incorporated into the Benchmark is not included as expected, the Fiscal Agent will have a period of 7 business days to sell the instrument.

b. Securities that are re-opened are eligible if it is indicated within the prospectus of the re-opened instrument that its ISIN shall be changed to that of an instrument included in the Benchmark. The instrument will remain eligible during the period necessary for the change in the ISIN to take place. If this does not occur, the Fiscal Agent has 7 business days to sell said instrument.

c. Reg S, 144a or SEC-registered securities, as long as there is an identical Benchmark equivalent issue according to the following characteristics: the issuer, coupon, type of coupon (fixed, variable, etc.), maturity, credit rating in Fitch, Moody's and Standard & Poor's, currency, payment priority (subordinate, unsecured, etc.), and maturity type (callable, puttable, etc.).

d. Securities that are no longer eligible and dropped out from the Benchmark as a result of remaining maturity less than the minimum required will remain eligible, as long as the issuer remains as part of the Benchmark. Additionally, instruments acquired under point c. of this Section will continue to be eligible if their Benchmark equivalent is eliminated due to insufficient remaining maturity provided the issuer remains within the Benchmark.

Eligible instruments for sovereign inflation-indexed bonds will be the following:

a. Instruments which form part of the corresponding Benchmark and those that are believed to be added to the Benchmark the following or subsequent month. If for any reason the instrument which was expected to be incorporated into the Benchmark is not included as expected, the Fiscal Agent has 7 business days to sell said instrument. Furthermore, instruments that are no longer eligible and dropped out from the Benchmark as a result of remaining maturity less than the minimum required will remain eligible, as long as the issuer remains as part of the Benchmark.

2.5 Eligible instruments for foreign currency cash

Exposure to cash shall not exceed 5% of the value of the portfolio under management. The return obtained in cash must be incorporated into the return calculation of the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio.

The following shall be eligible as Cash: current account balances, overnight and/or weekend deposits, and term deposits with a maximum maturity of 15 calendar days in 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.

For the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio, investments in one same bank issuer are permitted in line with the following limits:

a. Maximum of 1% of the Sovereign and government-related bonds, and Inflation indexed sovereign bonds portfolio, for issuers with an average rating of at least AA-.

b. Maximum of 0.5% of the Sovereign and government-related bonds, and Inflation indexed sovereign bonds portfolio, for issuers with an average rating of between A- and A+.

Notwithstanding the above, whenever the Sovereign and government-related bonds, and Inflation indexed sovereign bond portfolio receives a cash contribution, it may be invested in the same bank issuer for a maximum of 10 business days from the day of the contribution, for a maximum equivalent amount up to US $ 80 million. In addition, whenever the Fiscal Agent is instructed to generate liquidity for a cash withdrawal, the Fiscal Agent may invest up to US$ 80 million in one same bank issuer for 10 businesses days before and until the day of the cash withdrawal.

It should be noted that a distinction is made between exposure to the Custodian Bank, in its role as custodian, and exposure to said bank in its role as intermediary. End-of-day cash balances may be held with the Custodian Bank, up to an aggregate 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. Currency Forward or Swap Transactions Limits

For Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio, 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 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 shall 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, forward or swap 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. For the purposes of section 2.6, letter h., said renewal shall not be considered within the exposure to derivatives.

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 2.5 above.

h. The notional amount of outstanding forward or swap contracts shall not exceed, in all, 4% of the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio.

i. The sum of notional value of the forwards or swaps contracted by the Fiscal Agent with an eligible counterparty shall not exceed the limits per issuer established in letters a. and b. of section 2.5 above. Nevertheless, when 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. The aforementioned notwithstanding, counterparty risk limit established in letters a. and b. of section 2.5 above shall not take into account said rollover for two business days starting from the day the rollover begins.

2.7 Limits to Sovereign and government-related bonds, and Inflation-Indexed Sovereign Bonds.

The investment limit by credit rating for Sovereign and government-related bonds, and Inflation-indexed sovereign bonds as a percentage (%) of the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio is set forth in Table 1.

Table 1: Limits by rating for Sovereign and government-related bonds, and Inflation-Indexed Sovereign Bonds.

Rating	Maximum % of Sovereign and government-related bonds, and Inflation-indexed sovereign bonds Portfolio.
AAA	100%
AA+	
AA	
AA-	
A+	60%
A	
A-	
BBB+	40%
BBB	
BBB-	

In order to monitor the aforementioned limits, the median long term instruments risk ratings of the following international risk rating agencies will be used: Fitch, Moody´s, and Standard & Poor's. When only two ratings are available, the lower rating will prevail. If only one rating is available, said rating will be used.

2.8 Limits to Currency Spot Transactions

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

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.

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

2.10. External Cash Flows

External cash flows in the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio will be instructed by the Minister of Finance.

When an external cash contribution is made to the Portfolio Managed by the Fiscal Agent associated with the LT IP, the Fiscal Agent shall be granted a 10 banking days' special waiver, starting the day of the contribution, regarding fulfillment of requirements of sections 1, 2.2 and the first and last paragraph of 2.5. When an external cash withdrawal is made from the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio, the Fiscal Agency shall be granted a 10 banking days' special waiver, before and until the day of the withdrawal, regarding fulfillment of requirements of Sections 1, 2.2 and the limits stablished in sections 1, 2.2 and the first and last paragraph of 2.5. This period may be extended at the request 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, that the International Finance Coordinator of the Ministry of Finance authorizes to maintain the positioning of the Portfolio Managed by the Fiscal Agent associated with the LT IP 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 according to the "marked to market" criterion, using the prices given by the Custodian Bank or the entity that provides Middle Office services. Notwithstanding the above, it should be noted that the Central Bank of Chile, for internal purposes related to the Sovereign and government-related bonds and Inflation-indexed sovereign bonds portfolio, 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 Sovereign and government-related bonds, and Inflation-indexed sovereign bonds portfolio may agree securities lending programs with the PRF 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 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 Fiscal Agency 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 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, it takes the necessary steps to ensure their compliance. This period applicable to the Sovereign and government-related bonds, and Inflation-indexed sovereign bonds Portfolio 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 U.S. AGENCY MBS IN THE LONG-TERM INVESTMENT PORTFOLIO

1. Management Objectives

The objective of managing the resources of the U.S. Agency MBS Portfolio of the Pension Reserve Fund (FRP) is to closely approximate the monthly total return of the Benchmark, gross of fees, 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 U.S. Agency MBS Portfolio (the "Benchmark") is the Bloomberg Barclays US Mortgage Backed Securities (MBS) Index, ticker: LUMSTRUU.

2.2. Risk Budget

a. The margins of deviation for the U.S. Agency MBS 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 U.S. Agency MBS Portfolio: monthly average of 20 basis points of annual tracking error (ex-ante) provided that the maximum daily value does not exceed 30 basis points.

b. The deviation of the effective duration of the total portfolio from the Benchmark should not exceed +/-0.5 years.

2.3. Eligible Currencies and Issuers

Only issuers and currencies included in the Benchmark are eligible.

2.4. Eligible Securities

The following securities are eligible for the U.S. Agency MBS Portfolio:

a. Fixed rate Agency Mortgage Backed Pass-Through Securities guaranteed by GNMA, FNMA, and FHLMC that are part of the programs included in the Benchmark.

b. U.S. Dollar denominated debt securities issued or guaranteed by the U.S. Government or Agencies (FNMA, FHLMC, FHLB, and GNMA).

c. To Be Announced (TBAs): The underlying pools for TBA trades must come from eligible MBS. No leverage is allowed. This means that the Delegated Manager must always maintain at least an amount of cash equal to the TBAs. Instruments permissible as cash equivalents are described in Section 2.5.

d. US Treasury futures traded in the Chicago Board of Trade (CBOT) or Eurodollar futures traded in the Chicago Mercantile Exchange (CME) used only for hedging purposes, which allow for minimizing differences with the Benchmark, or which allow exposure to part of the Benchmark. No leverage is allowed. This means that the exposure in futures shall not exceed the market value of the portion of underlying assets. If the underlying asset is cash, it should be kept in cash in line with Section 2.5.

2.5. Eligible Instruments for Cash

a. Any cash held beyond the required TBA cash exposure shall not exceed 5% of the portfolio under management. The return obtained on the cash maintained by the Delegated Manager shall be included in the calculation of the return of the total portfolio under management.

b. The following shall be eligible as cash equivalent: current account balances, overnight and/or weekend deposits and time deposits with a maximum limit of 15 days at banks with long term instruments rating equal to or greater than A- in at least two of the following international risk rating agencies: Fitch, Moody's, and Standard & Poor's. US T-Bills are defined as cash equivalents.

c. 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 Delegated Manager receives a cash contribution, the Delegated Manager may invest up to 10% of the market value of the portfolio in one same bank issuer for 10 business days from the day of the cash contribution. In addition, whenever the Delegated Manager is instructed to generate liquidity for a cash withdrawal, the Delegated Manager may invest up to 10% of the market value of the portfolio in one same bank issuer for 10 business days before and until the day of the cash withdrawal.

d. 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, for up to an amount equivalent to 5% of the market value of the portfolio. US T-Bills are not considered as part of this limit. 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 to TBAs

The following constraints exist for TBAs:

a. TBAs shall not exceed 30% of the portfolio.

b. The time to settlement of any TBA shall be less than 90 days.

c. Short positions in TBA are not allowed (selling of existing TBA positions is allowed).

d. Taking delivery of the underlying securities of any TBA is not allowed.

e. TBAs shall only be traded using US Primary Dealers or eligible banks which have long term instruments risk ratings equal to or greater than A- in at least two of the following international risk agencies: Fitch, Moody's, and Standard & Poor's.

f. All TBA transactions must be conducted through a clearing agency registered with the US Securities and Exchange Commission (SEC) or must be traded under a Master Securities Forward Transaction Agreement (MSFTA) that complies with FINRA Rule 4210.

2.7. Special Restrictions

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

b. The notional of US interest rate futures valued at market price and in absolute terms shall not exceed 10% of the market value of the portfolio.

c. The time to settlement of any interest rate future or Eurodollar future shall be less than 110 days.

d. Delivery of underlying securities of US Treasuries futures is not allowed.

e. No more than 20% of the market value of the portfolio may be maintained in the instruments allowed in letter b. of Section 2.4.

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

2.8. External Cash Flows

External cash movements in the U.S. Agency MBS Portfolio shall result from the application of the rebalancing policy to converge to the FRP´s Strategic Asset Allocation, or withdrawals from the fund.

Rebalancing is triggered in the FRP when:

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

b. When there is a cash contribution to the FRP.

When rebalancing is triggered or when there is a withdrawal from the FRP, the Ministry of Finance, through the Fiscal Agent, shall order the amounts to be transferred to/from and/or among Delegated Managers, if required. For external cash contributions, the Delegated Manager shall be granted a 10 banking days' special waiver regarding fulfillment of requirements of Sections 1, 2.2, 2.5a. and 2.5d. from the day of the cash contribution. For external cash withdrawals, the Delegated Manager shall be granted 10 banking days' special waiver regarding fulfillment of the requirements of Sections 1, 2.2**,** 2.5a. and 2.5d. before and until the day of the cash withdrawal. The waiver period may be extended at the request of any of them to the Fiscal Agent, 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.

4. Securities lending program

The Delegated Manager shall neither execute nor enter into securities lending agreements.

5. Other

The base currency of the portfolio for the effects of the performance of the 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 Delegated Manager’s control, within their respective terms of office, the Delegated Manager shall not be considered as breaching 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 Delegated Manager’s request to the Fiscal Agent, justifying the reasons for said extension.

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APPENDIX C
INVESTMENT GUIDELINES FOR THE EQUITIES IN THE LONG-TERM INVESTMENT PORTFOLIO

1. Management Objectives

The objective of managing the resources of the Equities Portfolio of the Pension Reserve Fund (FRP) is to obtain monthly total returns, gross of fees, 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. The Ministry of Finance may amend the mentioned list 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 Ministry of Finance.

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 10 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 10 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, 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 sum of 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 FRP or withdrawals from the fund.

Rebalancing is triggered in the FRP when:

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

b. When there is a cash contribution to the FRP.

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.

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 FRP 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 FRP'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.

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APPENDIX D
INVESTMENT GUIDELINES FOR THE CORPORATE BONDS IN THE LONG-TERM INVESTMENT PORTFOLIO

1. Management Objectives

The objective of managing the resources of the Corporate bonds portfolio of the Pension Reserve Fund (FRP) is to obtain monthly total returns, gross of fees, 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 Corporate bonds portfolio (the "Benchmark") is the Bloomberg Barclays Global Aggregate: Corporates Index (unhedged), ticker: LGCPTRUU.

2.2. Risk Budget

The margins of deviation for the Corporate 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 Corporate bonds portfolio: 50 basis points of annual tracking error (ex-ante).

2.3. Eligible Currencies and Issuers

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

2.4. Eligible Securities

The eligible securities for the Corporate bonds portfolio are the following:

a. Securities that form part of the Benchmark, and those that are believed to be added to the Benchmark the following or subsequent month. If for any reason the security which was announced to be incorporated into the Benchmark is not included as expected, the External Manager will have a period of one month to sell the instrument.

b. Futures traded in exchanges on fixed income instruments or indices used only for hedging purposes, which allow for minimizing differences with the Benchmark, or which allow exposure to the 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.

c. Instruments that are dropped out of the Benchmark as a result of the maturity or a size less than the minimum required, as long as the issuer remains as part of the Benchmark. Also, securities that were bought under letter e. of this Section will continue to be eligible if their equivalents in the Benchmark are dropped out as a result of the maturity or size are less than the minimum required, as long as the issuer remains as part of the Benchmark.

d. Instruments that are re-opened are eligible if it is indicated within the prospectus of the re-opened instrument that its ISIN shall be changed to that of an instrument included in the Benchmark. The instrument will remain eligible during the period necessary for the change in the ISIN to take place. If this does not occur, the External Manager has one month to sell said instrument.

e. Securities that are Reg S, 144a or SEC-registered as long as there is an identical Benchmark equivalent issue according to the following characteristics: issuer, coupon, coupon type (fixed, variable, etc.), maturity, credit rating in Fitch, Moody's and Standard & Poors's, currency, priority of payment (subordinated, unsecured, etc.) and maturity type (callable, puttable, etc.).

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 10 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 10 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, 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 sum of 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 2.10, said renewal will not be considered within the derivatives exposures.

2.7. Investment Limits per Corporate Bonds Issuer

The limit per issuer of the Corporate bonds portfolio, as a percentage (%) of the portfolio managed by each External Manager, is established in the following table according to risk classification (Table 1):

Table 1: Limits per Issuer of Corporate Bonds according to Credit Quality

Risk Classification	Limit per Issuer
AAA	15%
AA+	10%
AA	10%
AA-	10%
A+	5%
A	5%
A-	5%
BBB+	5%
BBB	5%
BBB-	5%

2.8. Investment Limits per Risk Classification for Corporate Bonds

The investment limit per risk classification in the Corporate bonds portfolio, as a percentage (%) of the portfolio managed by each External Manager, is established in Table 2.

Table 2: Investment Limits per Risk Classification for Corporate Bonds

Risk Classification	Maximum % of the Corporate Bond Portfolio
AAA	100%
AA+	
AA	
AA-	
A+	60%
A	
A-	
BBB+	55%
BBB	
BBB-	

For purposes of monitoring the limits defined in Sections 2.7 and 2.8 by the Ministry of Finance, the median of long term instrument credit risk classification of the following international rating agencies shall be used: Standard & Poor's, Moody's or Fitch. If there are only two risk classifications, the lowest will be considered. If there is only one, said classification will be considered.

2.9. 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.

2.10. 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.

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

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

2.11. External Cash Flows

External cash flows in the Corporate bonds portfolio are the result of applying the rebalancing policy to converge to the Strategic Asset Allocation for the FRP or withdrawals from the fund.

Rebalancing is triggered in the FRP when:

a. an asset class exceeds the deviation range allowed for that asset class, or

b. when there is a cash contribution to the FRP.

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.

4. Securities Lending Program

The External Manager shall neither execute nor agree any securities lending programs.

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 Managers' control, within their respective terms of office, the External Manager shall not be considered as breaching the applicable guidelines if, within a calendar month after having detected such situation, they take 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.

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APPENDIX E
INVESTMENT GUIDELINES FOR THE HIGH YIELD BONDS IN THE LONG-TERM INVESTMENT PORTFOLIO

1. Management Objectives

The objective of managing the resources of the High yield bonds portfolio of the Pension Reserve Fund (FRP) is to obtain monthly total returns, net of fees, similar to those of the Benchmark by means of an enhanced 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 High yield bonds portfolio (the "Benchmark") is the Bloomberg Barclays Global High Yield Index (Unhedged) in USD, ticker: LG30TRUU.

2.2. Risk Budget

The margins of deviation for the High yield 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 High yield bonds portfolio: 150 basis points of annual tracking error (ex-ante).

2.3. Eligible Currencies and Issuers

For the High yield bonds portfolio, only the currencies and issuers which form part of the Benchmark are eligible.

2.4. Eligible Securities

The eligible securities for the High yield bonds portfolio are the following:

a. Securities that form part of the Benchmark, and those that are believed to be added to the Benchmark the following or subsequent month. If for any reason the security which was announced to be incorporated into the Benchmark is not included as expected, the External Manager will have a period of two months to sell the instrument.

b. Securities that have dropped out of the Benchmark due to insufficient remaining maturity or because the issue size falls below the required minimum, may be maintained as long as the issuer remains as part of the Benchmark. Also, securities that were bought under letter e. of this Section will continue to be eligible if their equivalents in the Benchmark are dropped out as a result of the maturity or size are less than the minimum required, as long as the issuer remains as part of the Benchmark.

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

d. Securities that are re-opened are eligible if it is indicated within the prospectus of the re-opened instrument that its ISIN shall be changed to that of an instrument included in the Benchmark. The instrument will remain eligible during the period necessary for the change in the ISIN to take place. If this does not occur, the External Manager has one month to sell said instrument.

e. Securities that are REG S, 144a or SEC-registered securities as long as there is an identical Benchmark equivalent issue according to the following characteristics: issuer, coupon, coupon type (fixed, variable, etc.), maturity, credit rating in Fitch, Moody's and Standard & Poors's, currency, priority of payment (subordinated, unsecured, etc.) and maturity type (callable, puttable, etc.)

f. Government securities, denominated in eligible currencies, which are included in the Bloomberg Barclays Global Aggregate Treasury Index, ticker: LGTRTRUU, and shall be used for cash and duration management.

g. Securities which are in default and are due to leave the Benchmark as judged appropriate by the External Manager, provided that the External Manager will attempt to dispose of such securities in a commercial reasonable manner taking into account liquidity and the reasonableness of the bid prices. The External Manager will have a period of three months to dispose of such securities, after the securities leave the Benchmark. Should the External Manager require more time they must receive written consent.

h. Securities that leave the Benchmark due to an improvement in risk ratings may be maintained, provided that the security will be included in the Bloomberg Barclays Global Aggregate Credit Index Unhedged, ticker: LGDRTRUU.

i. The Ministry of Finance shall generate, maintain and communicate to the External Manager a list of eligible Exchange Traded Funds (ETFs), which may also include ETFs advised, sub-advised or managed by an affiliate of the External Manager. The Ministry of Finance may amend such list 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.

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 shall be included in 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 mandate are quoted. Treasury-Bills denominated in eligible currencies are defined as cash equivalents.

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 10 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 10 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, for up to an amount equivalent to 5% of the market value of the portfolio. US T-Bills are not considered as part of this limit. 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 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 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 contract shall not exceed 95 calendar days.

e. The counterparty risk applicable to each forward or swap contract shall be 100% of the notional value of the contract, as denominated in USD. For the purpose of these investment guidelines, the notional value of the forwards or swap shall be the long leg of the forward or swap contract. For the measurement of 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 sum of 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 withstanding counterparty risk limit established in Section 2.5 shall not take into account said rollover for two business days starting from the day of 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 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

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

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

c. 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.

d. The External Manager shall not invest in its own corporate bonds or those of their affiliates.

e. No more than 10% of the portfolio should be maintained in the instruments allowed in letters f. and h. of Section 2.4.

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

g. ETFs shall not represent more than 10% of the portfolio.

2.9. External Cash Flows

External cash flows in the High yield bonds portfolio are the result of applying the rebalancing policy to converge to the Strategic Asset Allocation for the FRP or withdrawals from the fund.

Rebalancing is triggered in the FRP when:

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

b. When there is a cash contribution to the FRP.

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 day 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 10 banking days' special waiver regarding fulfillment of the 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.

4. Securities lending program

External Manager shall neither execute nor enter into any securities lending agreements. Notwithstanding the foregoing, the Ministry of Finance understands and agrees that the FRP portfolio may be exposed to securities lending through the holdings of any ETF authorized by these guidelines.

5. Other

Foreign Exchange transactions are considered to be spot operations according to 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 or 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 a calendar month after having detected such situation, they take the necessary steps to ensure their compliance. The External Manager shall file directly with the Ministry of Finance, justifying the reasons for said extension.

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APPENDIX F
SHORT-TERM INVESTMENT PORTFOLIO GUIDELINE

1. Management Objectives

The objective of managing the resources of the Short-Term Investment Portfolio is to invest in highly liquid instruments, preserving the value of the invested resources, within the risk standards indicated in the guidelines and pertinent parameters of section 2 below.

2. Guidelines and parameters

2.1. Benchmark

The Benchmark associated with the Treasury Bills is ICE BofA US Treasury Bill Index (ticker Bloomberg G0BA) and with the Sovereign Bonds is Bloomberg Barclays Global Aggregate - Treasury: U.S. 1- 3 Yrs (Bloomberg LT01TRUU ticker).

2.2. Reference Duration

The deviation of the effective duration of the total portfolio in relation to the Benchmark shall not exceed +/- 0.5 years.

2.3. Eligible Currencies and Issuers

Only the currencies and issuers that are part of the corresponding Benchmark are eligible.

2.4. Eligible Instruments

The instruments eligible for the Short-Term Investment Portfolio are the Treasury bills and Sovereign bonds that are included in the corresponding Benchmark and those which comply with the eligibility criteria for the Benchmark and are expected to be included in said Benchmark next month. If, for any reason, the instrument is not included in the Benchmark as expected, the Fiscal Agent has 7 business days to sell said instrument. Furthermore, instruments that are no longer eligible and dropped out from the Benchmark as a result of remaining maturity less than the minimum required will remain eligible, as long as the issuer remains as part of the Benchmark.

2.5. Eligible Instruments for Cash

The cash exposure shall not exceed 5% of the value of the portfolio under management. The return obtained in cash must be incorporated into the return calculation of the 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 to or over A- in at least two of the following international risk rating agencies: Fitch, Moody's, and Standard & Poor's.

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 Fiscal Agent receives a cash contribution, the Fiscal Agent may invest up to 10% of the market value of the portfolio in one same bank issuer for 10 business days from the day of the cash contribution. In addition, whenever the Fiscal Agent is instructed to generate liquidity for a cash withdrawal, the Fiscal Agent may invest up to 10% of the market value of the portfolio in one same bank issuer for 10 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, for up to an amount equivalent to 5% of the market value of the portfolio. US T-Bills are not considered as part of this limit. 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. 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.

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

2.7. External Cash Flows

External cash flows in the Short-Term Investment Portfolio are the result from the instructions provided by the Minister of Finance.

When an external cash contribution is instructed to the Short-Term Investment Portfolio, the Fiscal Agent shall be granted a 10 banking day special waiver, regarding fulfillment of requirements of sections 1, 2.2 and the first and last paragraph of Section 2.5 from the day of the cash contribution. When an external cash withdrawal is instructed to the Short-Term Investment Portfolio, the Fiscal Agent shall be granted a 10 banking day special waiver, regarding fulfillment of requirements of sections 1, 2.2 and the first and last paragraph of Section 2.5 from the day of the cash withdrawal. The waiver period may be extended at the request 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.

2.8. Valuation Criteria

The portfolio valuation shall be according to the “marked to market” criterion, using the prices given by the Custodian Bank. Notwithstanding the above, it should be noted that the Central Bank of Chile, for internal purposes related to the Short-Term Investment Portfolio, 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.

2.9. Securities Lending Program

The Fiscal Agent for the Short-Term Investment Portfolio may agree securities lending programs with the PRF 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.

2.10. Others

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 are breached 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 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 for the Short-Term Investment Portfolio may be extended at the Fiscal Agent’s request to the Ministry of Finance, justifying the reasons for said extension.

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